

**STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES**

ANNUAL REPORT

**FISCAL YEAR
2005-2006**



M. Jodi Rell
Governor

Pam Law
Commissioner



A Message from the Commissioner:

The Department of Revenue Services is pleased to present for your review its Annual Report for Fiscal Year 2005-06. As you are aware, with the development and implementation of the new Integrated Tax Administration System (ITAS) and the related Data Warehouse, the Department's Research Unit has been able to generate and customize the statistical data required pursuant to Conn. Gen. Stat. §12-7b.

We hope you find this information helpful. Any questions may be directed to the Department's Research Unit at (860) 297-5688.

Sincerely,

Pam Law
Commissioner of Revenue Services

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OVERVIEW OF THE DEPARTMENT

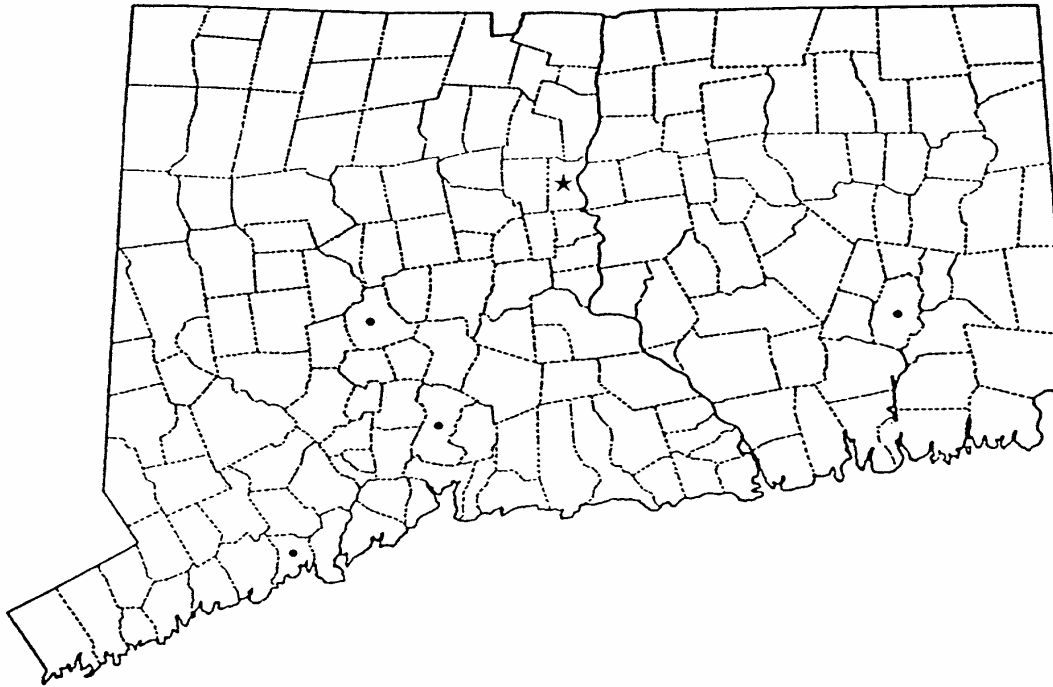
The Mission

of the

Connecticut Department of Revenue Services

*is to administer the tax laws of the State of Connecticut
and collect the tax revenues in the most cost effective manner;
achieve the highest level of voluntary compliance
through accurate, efficient and courteous customer service;
and perform in a manner which instills public confidence in the
integrity and fairness of the state's tax programs.*

DEPARTMENT OF REVENUE SERVICES LOCATIONS



MAIN OFFICE

25 Sigourney Street
Hartford, Connecticut 06106
Phone: (860) 297-5962
1-800-382-9463 (In-state only)
TDD/TT (860) 297-4911
www.ct.gov/drs

FIELD OFFICES

BRIDGEPORT REGIONAL OFFICE

10 Middle Street
Bridgeport, Connecticut 06601
Phone: (860) 579-6251

NORWICH REGIONAL OFFICE

2 Cliff Street
Norwich, Connecticut 06360
Phone: (860) 889-2669

NEW HAVEN REGIONAL OFFICE

3074 Whitney Avenue, Bldg. #2
Hamden, Connecticut 06517
Phone: (203) 287-8243

WATERBURY REGIONAL OFFICE

55 West Main Street, Suite 100
Waterbury, Connecticut 06702
Phone: (203) 805-6789

LEGISLATIVE SUMMARY

2006 GENERAL ASSEMBLY

REGULAR SESSION

ADMISSIONS TAX

PUBLIC ACT 06-186

Exempts an additional three facilities from the admissions tax: Nature's Art for admissions charged on or after April, 1, 2006, and Dodd Stadium and the Arena at Harbor Yard, both effective for events held on or after November 1, 2006.

ALCOHOLIC BEVERAGES TAX

PUBLIC ACT 06-159

Eliminates the requirement that distributors must file monthly alcoholic beverage tax returns under oath. Instead, requires returns to be signed under penalty of false statement. Effective October 1, 2006; and

Eliminates the requirement that distributors who ship alcoholic beverages into Connecticut military reservations must file a duplicate invoice with the Department of Revenue services (DRS). Instead, such distributors must provide a copy of the invoice upon the DRS' request. Effective June 6, 2006.

CIGARETTE & TOBACCO PRODUCTS TAXES

Public Act 06-194

Adds persons engaged in the business of selling taxed tobacco products at retail to the definition of "dealer." Effective July 1, 2006;

Codifies the reasons the DRS may refuse to issue a license, including conviction for violating other tobacco products tax laws. Also provides penalties for selling taxed tobacco products without a dealer's license. Such penalties are a fine of no more than \$500 or imprisonment of no more than 3 months or both, where each day of unauthorized operation may be deemed a separate offense. Effective July 1, 2006;

Requires that a person must obtain a dealer's license when engaging in or intending to engage in the business of selling taxed tobacco products at retail. Effective July 1, 2006;

Requires that distributors and unclassified importers must obtain a license before manufacturing, purchasing, importing, receiving or acquiring any untaxed tobacco products. Adds the requirement that the license must be conspicuously displayed on the premises covered by such license. Also, DRS required to publish on its website a list of every distributor licensed for Tobacco Products Tax. Effective July 1, 2006.

Imposes tax on all untaxed tobacco products held in Connecticut by any person. Effective July 1, 2006; and

Removes provision that required licensed distributors acquiring only taxed tobacco products to file an annual report. Also added provision that any person who does not acquire untaxed tobacco products, but acquires taxed tobacco products for retail sales will not be licensed as a tobacco products distributor, but will be required to apply for and retain a cigarette dealer's license. Effective July 1, 2006.

CORPORATION BUSINESS TAX

Public Act 06-145

Expands the Computer Donation Credit to include donations of computers to nonpublic schools. Currently, only donations to public schools are eligible. Effective July 1, 2006 for income years commencing on or after January 1, 2006;

Public Act 06-189

Repeals the Employer Assisted Housing Tax Credit provided for in Conn. Gen. Stat. §12-217p. Effective June 7, 2006.

Public Act 06-186

Establishes a new corporation business tax credit for qualified film production expenses. This new credit can be earned by corporations, partnerships, limited liability companies or other business

entities that are qualified by the Secretary of the State to engage in business in the state and are producing "qualified productions." Any eligible production company that incurs production expenses or costs in excess of \$50,000 is eligible for the credit. The credit is thirty percent of such production expenses or costs.

The tax credit is administered by the Connecticut Commission on Culture and Tourism. An application must be made to the commission ninety days after the first production expenses and costs are incurred in order to earn the credit.

The credit is nonrefundable. Any credit allowed may be sold, assigned or otherwise transferred, in whole or in part, provided that such credit may only be used in the income year in which the eligible production company would have been eligible to claim such credit. Any credit not used may be carried forward for the three immediately succeeding income years. Effective July 1, 2006 for income years commencing on or after January 1, 2006;

Amends the housing program contribution credit to: increase the annual amount of tax credits allowed to all business firms from \$5 million to \$10 million; increase the amount of credits that must be set aside until November 1 of each year for the Supportive Housing Pilots Initiative or the Next Steps Initiative from \$1 million to \$2 million; and require that \$1 million dollars of the total amount of all tax credits under this

section shall be set aside for workforce housing, as defined by the Connecticut Housing Finance Authority through its written procedures. The annual amount of funding an eligible organization may receive in the aggregate was increased from \$400,000 to \$500,000. Effective July 1, 2006;

Repeals the 15% surtax that was to apply to corporations for their income year commencing on or after January 1, 2007, and prior to January 1, 2008. The 20% surtax remains for income years commencing on or after January 1, 2006, and prior to January 1, 2007.

Establishes a new tax credit for the creation of “new jobs”. The credit allowed is an amount up to twenty-five per cent of the income tax deducted and withheld from the wages of new employees and paid over to the state pursuant to chapter 229 of the general statutes. For each new employee, credits may be granted for five successive years. The credit is claimed in the income year in which it is earned and any credits not used in a tax year expire. The total amount of credits granted to all taxpayers shall not exceed ten million dollars in any one fiscal year. This credit contains a recapture provision. Applicable to income years commencing on or after January 1, 2006;

Provides for “displaced workers” tax credit for employers that hire workers who have been displaced. The available credit is \$1,500 for each displaced worker hired by a taxpayer on or after January 1, 2006. Applicable to income

years commencing on or after January 1, 2006; and

Also, provides for a new tax credit for the expenditures incurred in the rehabilitation of certified historic structures, including commercial and industrial property, for residential use. The credit is administered by the Connecticut Commission on Culture and Tourism (CCCT). The credit is 25% of the qualified rehabilitation expenses as verified by CCCT. The credit may be carried forward for up to five successive years. The credit may also be assigned or transferred. The credit is applicable to income years commencing on or after January 1, 2006.

Public Act 06-174

Amends the apprenticeship training tax credit to delete the requirement that the qualified apprenticeship training program be jointly administered by labor and management trustees and be administered pursuant to 29 U.S.C. Section 186(c). In addition, the credit is now awarded based upon the income year in which the program is completed and the notification of such completion occurs, rather than annually. The amount of credit was increased to four thousand dollars or fifty percent of actual wages paid over the first four income years, whichever is less. Effective July 1, 2006, and applicable to income years commencing on or after January 1, 2006.

GIFT AND ESTATE TAXES

Public Act 06-194

Changes the late payment penalty for Estate Tax purposes. The late payment penalty is now 10% of the amount reported on the estate tax return and not paid within nine months after the date of death, or \$50, whichever is greater. Formerly, the late payment penalty was 10% of the amount reported on the estate tax return and not paid within nine months after the date of death. Effective upon passage (June 9, 2006) and applicable to taxes payable on or after said date;

Permits a gift tax to be assessed at any time if any gift required to be shown on the Connecticut gift tax return is not shown, or, if shown, not adequately disclosed on the return. Effective from passage (June 9, 2006) and applicable to gifts made during calendar years commencing on or after January 1, 2006; and

Changes the due date of a gift tax return or the calendar year in which the donor dies. The due date is the last date, including extensions, for filing the Connecticut estate tax return with respect to such donor. (Under prior law, the due date was the last day, including extensions, for filing a federal gift tax return.) Effective from passage (June 9, 2006) and applicable to gifts made during calendar years commencing on or after January 1, 2006.

INCOME TAX

Public Act 06-159

Repeals the requirement that a pass-through entity make estimated Connecticut income tax payments on behalf of its nonresident members.

Under the new law, if a nonresident member's only Connecticut-sourced income is from one or more pass-through entities, the filing of a composite income tax return by the pass-through entity and the making of the composite income tax payment by the pass-through entity expressly fulfills the Connecticut income tax filing and payment requirements otherwise separately imposed on the member by Chapter 229 of the Connecticut General Statutes;

If a nonresident member's Connecticut-sourced income from one or more pass-through entities is not the member's only Connecticut-sourced income, the filing of a composite income tax return by the pass-through entity and the making of the composite income tax payment by the pass-through entity does not excuse the member from the obligation to file the member's own separate tax return under Chapter 229 of the Connecticut General Statutes;

A member who is a nonresident individual is expressly relieved of the obligation to file his or her own Connecticut income tax return if the member's total Connecticut-sourced

income from one or more pass-through entities is less than \$1,000;

The pass-through entity is required to furnish a Schedule CT K-1 to each member no later than the fifteenth day of the fourth month following the close of the pass-through entity's taxable year. (The prior law required the pass-through entity to furnish a Schedule CT K-1 to each member no later than the fifteenth day of the third month following the close of the pass-through entity's taxable year.); and

The right to make an election to file a group income tax return (Form CT-G) is repealed.

These provisions are applicable to income years commencing on or after January 1, 2006.

Public Act 06-186

Creates a new subtraction modification that allows an individual, in computing his or her Connecticut adjusted gross income, to subtract from his or her federal adjusted gross income contributions to CHET (Connecticut Higher Education Trust) accounts. Contributions of up to \$5,000 for each individual taxpayer whose filing status is single, head of household, married filing separately or civil union filing separately or \$10,000 for individuals whose filing status is married filing jointly, civil union filing jointly or qualifying widow(er) with dependent child. If a CHET contribution during the taxable year exceeds the maximum

CHET contribution, the excess may be carried forward for the five succeeding taxable years. Effective July 1, 2006, and applicable to taxable years commencing on or after January 1, 2006.

PETROLEUM COMPANIES GROSS EARNINGS TAX

Public Act 06-143

Exempts a commercial heating oil blend (used for commercial heating purposes) containing not less than 10% alternative fuels derived from agricultural produce, food waste, waste vegetable oil, or municipal solid waste including, but not limited to, biodiesel or low sulfur dyed diesel fuel. Effective July 1, 2006.

PUBLIC SERVICE COMPANIES TAX

Public Act 06-159

Repeals gross earnings tax on persons carrying on in Connecticut an express business on railroads. (No such business has been carried on in Connecticut, it is believed, for several decades); and

Repeals gross earnings tax on persons conducting a telegraph or cable business in Connecticut [not to be confused with a community access television system business]. (No such business has been conducted in Connecticut, it is believed, for a number of years.) Effective October 1, 2006, and applicable to

quarterly periods commencing on or after said date.

Public Act 06-186

The gross earnings of municipal electric utilities in Connecticut will be taxed in the same manner as the gross earnings of electric distribution companies. Municipal electric utilities in Connecticut will no longer be taxed on their gross earnings from the generation of electricity. Effective July 1, 2006.

SALES AND USE TAXES

Public Act 06-161

Clarifies definition of “hybrid passenger car” and expands beyond original scope to include rechargeable energy source (e.g., fuel cells). Effective October 1, 2006.

Public Act 06-186

Expands existing exemptions for aircraft parts and repair services by removing the limitations to aircraft owned or leased by certificated air carriers and aircraft with max certified takeoff weight of 6,000 pounds or more. Effective July 1, 2006.

Public Act 06-187

Provides for a “sales tax holiday” for residential weatherization products, for the period June 1, 2006 through June 30, 2007;

Expands exemption for services rendered between joint venture participants to include limited liability companies, and expands duration of exemption from 10 years to 20 years from the venture’s formation date. Effective May 26, 2006;

Excludes yoga instruction provided at yoga studio from taxable health and athletic club services. Effective July 1, 2006; and

Adds services and tangible personal property for construction of Connecticut Center for Science and Exploration to the exemption under Conn. Gen. Stats. §12-412(1) & §32-651.

CONNECTICUT'S TAXES

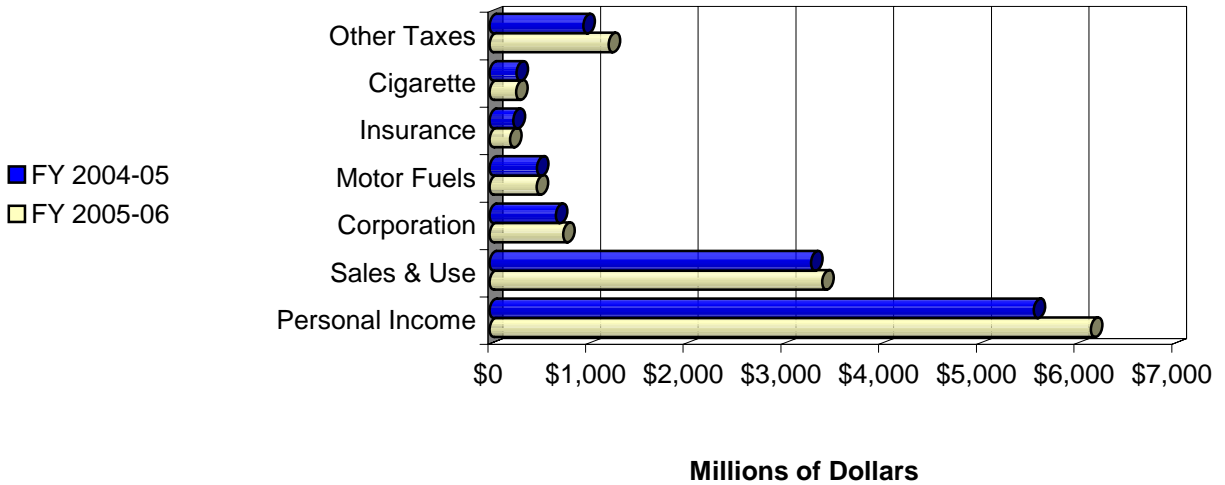
*The Department collected
nearly \$12.5 billion in revenue
for fiscal year 2005-06.*

*83% of collections
was attributable to the Income Tax,
Corporation Business Tax and
Sales and Use Tax.*

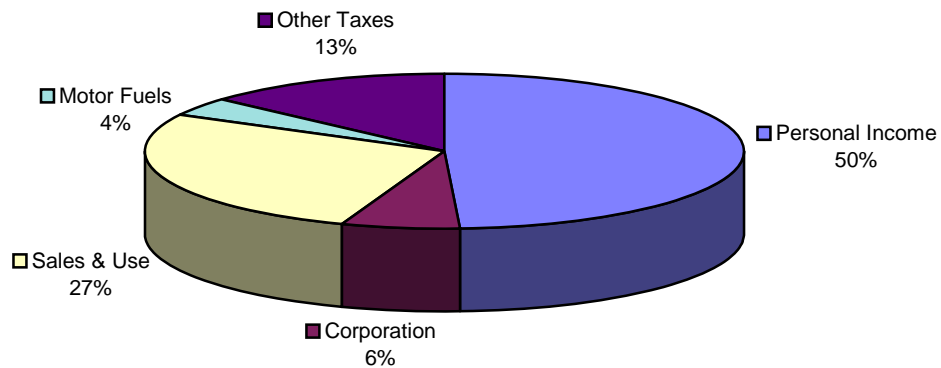
State Revenue Sources

Tax Type & Citation	Fiscal Year Ending		
	June 30, 2004	June 30, 2005	June 30, 2006
Admissions & Dues Tax <i>Ch. 225</i>	\$ 31,649,518	\$ 31,653,550	\$ 34,982,125
Alcoholic Beverages Tax <i>Ch. 220</i>	44,026,280	44,236,073	46,035,500
Business Entity Tax <i>Ch. 213a</i>	35,618,029	31,444,051	32,166,819
Cigarette Tax <i>Ch. 214</i>	275,908,244	270,322,117	267,809,756
Community Antenna TV Systems Cos. <i>Ch. 211</i>	38,492,786	41,173,821	44,268,695
Connecticut Estate Tax <i>Ch. 217</i>	83,135,828	179,371,121	12,748,634
Controlled Substances <i>Ch. 228d</i>	120,578	58,999	90,329
Controlling Interest Transfer <i>Ch. 228b</i>	1,966,209	8,438,105	6,334,644
Corporation Business Tax <i>Ch. 208 & 209</i>	481,382,297	646,327,341	754,217,659
Dry Cleaners Surcharge <i>Ch. 211b</i>	800,948	753,380	615,934
Electric and Power Companies <i>Ch. 212</i>	28,426,666	47,351,605	115,710,224
Fiduciary Estate Tax <i>Ch. 218a</i>	98	0	0
Gas Companies <i>Ch. 212</i>	48,063,793	40,765,703	0
Gas and Electric Companies <i>Ch. 212</i>	80,388,880	69,425,848	67,188,979
Gift and Estate Tax <i>Ch. 217 & 228c</i>	n/a	n/a	176,655,601
Gift Tax <i>Ch. 228c</i>	24,315,810	27,772,988	7,199,978
Hazardous Waste Tax <i>Ch. 445</i>	186	(178,776)	0
Health Care Centers <i>Ch. 207</i>	42,410,695	45,169,057	45,927,135
Hospital Gross Earnings <i>Ch. 211a</i>	0	10,134	0
Income Tax <i>Ch. 229</i>	4,943,298,950	5,570,692,650	6,156,411,020
Insurance Companies, Domestic <i>Ch. 207</i>	33,867,965	36,455,232	44,241,863
Insurance Companies, Foreign <i>Ch. 207</i>	140,282,729	156,532,591	160,253,745
Motor Carrier Road Tax <i>Ch. 222</i>	12,875,278	13,238,534	14,429,719
Motor Vehicle Fuels Tax <i>Ch. 221</i>	451,903,729	470,846,222	466,438,597
Nursing Home User Fee <i>Ch. 319x</i>	n/a	n/a	123,892,769
Occupational Tax <i>Ch. 876</i>	6,007,724	6,402,371	5,936,346
Petroleum Products Tax <i>Ch. 227</i>	139,895,375	179,047,466	279,590,420
Railroad Companies <i>Ch. 210</i>	272,510	102,234	95,387
Real Estate Conveyance Tax <i>Ch. 223</i>	174,775,490	199,193,074	201,123,111
Rental Surcharge <i>Ch. 228h</i>	502,588	312,918	431,753
Sales and Use Taxes <i>Ch. 219</i>	3,153,518,556	3,291,372,489	3,404,541,887
Solid Waste <i>Ch. 446d</i>	2,912,413	3,384,607	3,426,551
Succession Tax <i>Ch. 216</i>	64,273,781	74,536,836	6,853,292
Tire Fee <i>Ch. 446d</i>	5,076	3,686	0
Tobacco Products <i>Ch. 214a</i>	3,966,136	3,793,951	4,736,180
Tourism Tax <i>Ch. 228e</i>	4,513,367	4,670,440	4,750,619
Unauthorized Insurers <i>Ch. 698d</i>	5,857,953	5,954,383	6,295,041
Unrelated Business Income Tax <i>Ch. 208a</i>	1,007,944	867,828	1,067,959
Water Companies <i>Ch. 212</i>	14,892	0	(1,496)
Total	\$10,356,459,301	\$11,501,502,628	\$12,496,466,775

Department of Revenue Services Tax Receipts FY 2004-05 and FY 2005-06



PERCENTAGE OF TAX RECEIPTS FY 2005-06



ADMISSIONS AND DUES TAX

Revenue	
FY 2003-04	\$ 31,649,518
2004-05	31,653,550
2005-06	34,982,125

Exemptions

Admissions charges:

- under \$1;
- of a non-profit organization;
- to motion pictures not more than \$5.00;
- to live performances at non-profit theaters or playhouses, Gateway Candlewood Playhouse, and Ocean Beach Park;
- to sporting or athletic activities in which patrons participate;
- to any carnival or to any amusement ride;
- to cabarets;
- to home games of the New Britain Rock Cats;
- to any event at the:
 - Hartford Civic Center,
 - Connecticut Exposition Center,
 - New Britain Beehive Stadium,
 - New Britain Stadium,
 - New Britain Veterans Memorial Stadium,
 - Dodd Stadium (beginning with events held on or after November 1, 2006),
 - Bridgeport Harbor Yard Stadium,
 - Arena at Harbor Yard (beginning with events held on or after November 1, 2006),
 - Nature's Art (beginning May 7, 2006),
 - Stafford Motor Speedway,
 - Lime Rock Park,
 - Thompson Speedway,
 - Waterford Speedbowl,
 - Tennis Foundation of Connecticut or any successor organization, and
 - William A. O'Neill Convocation Center.

Dues:

- Annual dues under \$100;
- Lawn Bowling Clubs;
- Locker Rental Fees;
- Additional charges used to acquire open space land;
- Dues of a charitable, religious, governmental or non-profit educational institution; and
- Dues of any society, order or association operating under the lodge system or local fraternal organizations among students of a college or university.

ADMISSIONS AND DUES TAX (cont.)

Number of Taxpayers / Filing Frequency

Admissions	277 taxpayers / Monthly
Dues	304 taxpayers / Monthly

Basis and Rate

Admissions	6% of the admissions charge to motion picture shows. 10% of the admission charge to any other place of amusement, entertainment, or recreation.
Dues	10% of membership dues or initiation fees to any social, athletic or sporting club organization.

Comparative Data

Tax Due	FY 2003-04	FY 2004-05	FY 2005-06
Motion Picture Admissions	\$5,046,837	\$5,127,875	\$5,253,488
Other Admissions	7,091,430	5,222,836	6,737,340
Dues	19,511,251	21,302,839	22,991,297
Total	\$ 31,649,518	\$ 31,653,550	\$ 34,982,125

ALCOHOLIC BEVERAGES TAX

A tax is imposed on all distributors of alcoholic beverages on the sale of alcoholic beverages within Connecticut. Distributors must report the total number of gallons of each alcoholic beverage sold during the month, the opening and closing inventories and the amount of tax due. Sales of alcoholic beverages are also subject to the Sales and Use Tax.

Revenue

FY 2003-04	\$44,026,280
2004-05	44,236,073
2005-06	46,035,500

Exemption

Sales of malt beverages which are consumed on the premises of an establishment covered by a manufacturer's permit.

Number of Taxpayers/Filing Frequency

100 distributors/ Monthly

Basis and Rate

Beer	\$6.00 per barrel (31 gallons)
Beer	20¢ per gallon
Still Wines	60¢ per gallon
Small Wineries	15¢ per gallon
Sparkling Wines	\$1.50 per gallon
Alcohol	\$4.50 per proof gallon
Distilled Liquor	\$4.50 per gallon
Liquor Coolers	\$2.05 per gallon

Comparison of Gallonage

TYPE	FY 2003-04 (gallons)	FY 2004-05 (gallons)	FY 2005-06 (gallons)
Beer - barrels	197,019	189,230	182,885
Beer - gallons	53,109,658	52,707,822	51,702,839
Still Wine	11,232,569	11,201,554	11,948,335
Small Wineries	99,586	95,586	89,276
Sparkling Wine	401,022	365,922	466,375
Distilled Liquor	5,423,026	5,418,496	6,011,617
Liquor Cooler	47,740	36,138	33,280
Alcohol	40,210	38,623	50,036

BUSINESS ENTITY TAX

The following business entities are subject to an annual Business Entity Tax if they are domestic entities or are foreign entities that are transacting business in Connecticut and required to register with the Connecticut Secretary of the State:

- *S corporations;*
- *Limited liability companies (LLCs), including single member limited liability companies (SMLLCs);*
- *Limited liability partnerships (LLPs); and*
- *Limited partnerships (LPs).*

Revenue	
FY 2003-04	\$35,618,029
2004-05	31,444,051
2005-06	32,166,819

Exemptions

- LLCs and SMLLCs that have elected to be taxed as a corporation for federal tax purposes; and
- Any domestic LP that is not formed under Chapter 610 of the Connecticut General Statutes.

Number of Taxpayers/Filing Frequency

118,775 Entities/ Annually

Basis and Rate

\$250 per taxable year.

CIGARETTE TAX

An excise tax is imposed on all cigarettes sold in Connecticut. Payment is indicated by affixing stamps or heat applied decals to each pack of cigarettes. The stamps are sold to licensed dealers and licensed distributors. Sales of cigarettes are also subject to the Sales and Use Tax.

Revenue	
FY 2003-04	\$275,908,244
2004-05	270,322,117
2005-06	267,809,756

Exemptions

- Sales or purchases at military bases; and
- Cigarettes sold to any state institution other than a correctional institution.

Number of Taxpayers/ Filing Frequency

46 taxpayers/ Monthly

Basis and Rate

75½ mills per cigarette, or \$1.51 per pack of twenty.

CONTROLLED SUBSTANCES TAX

A tax is levied on marijuana and controlled substances which creates an economic burden on drug dealers. Payment of the tax is indicated by the affixing of stamps to the marijuana or controlled substance. The tax is due and payable immediately upon acquisition or possession of the drug in Connecticut by a dealer.

Revenue	
FY 2003-04	\$120,578
2004-05	58,999
2005-06	90,329

Basis and Rate

\$3.50 per gram of marijuana;
\$200 per gram of controlled substance; and
\$2,000 per 50-dosage unit of controlled substance not sold by weight.

CONTROLLING INTEREST TRANSFER TAX

A tax is imposed on the transfer of a controlling interest in a corporation, partnership, association, trust or other entity, where an entity owns an interest, directly or indirectly, in Connecticut real property with a value of at least \$2,000. In a corporation, "controlling interest" means more than 50% of the combined voting power of all classes of stock in the corporation. For all other entities, "controlling interest" is an amount greater than 50% of the capital, profits or beneficial interest in that entity.

Revenue	
FY 2003-04	\$1,966,209
2004-05	8,438,105
2005-06	6,334,644

Exemptions

- Sales or transfers that effectuate a mere change of identity or form of ownership or organization where there is no change in the beneficial ownership of the entity;
- Sale or transfer of a controlling interest in any entity which possesses an interest in real property located in an enterprise zone;
- Transfers of land resulting from eminent domain proceedings;
- Mortgage deeds;
- Deeds to or by the United States of America, State of Connecticut or any political subdivision or agency thereof;
- Tax deeds;
- Deeds releasing any property which is a security for a debt or other obligation; and
- Deeds to any corporation, trust or other entity, of land to be held in perpetuity for educational, scientific, aesthetic or other equivalent passive uses (pending determination by the Internal Revenue Service).

Filing Frequency / Number of Taxpayers

The month following the month in which the transfer was made.

61 transfers in FY 2005-06

Basis and Rate

1.11% on the sale or transfer of a controlling interest. Also, an additional tax not to exceed 10% on the value of open space land, farmland and forestland, depending on the holding period, may be levied.

CORPORATION BUSINESS TAX

A corporation carrying on or doing business in Connecticut is subject to the Corporation Business Tax. Most corporations in Connecticut must file returns and pay corporation business tax although some corporations are exempt.

Corporations must calculate their tax under two alternate methods and remit the higher tax. If a corporation owes less than \$250 under both methods, it pays the minimum tax of \$250.

Revenue	
FY 2003-04	\$481,382,297
2004-05	646,327,341
2005-06	754,217,659

Basis and Rate

Net Income Base Method

The method under which most Corporation Business Tax revenue is derived is the Net Income Base. Corporations compute their Connecticut Net Income by applying the adjustments allowed or required by Connecticut law to the federal taxable income of the corporation. Additions to the base include interest income wholly exempt from federal tax and unallowable deductions for corporation or franchise taxes paid to other states. Deductions from the federal base include 70% of the dividends received from domestic corporations in which ownership is less than 20% and capital loss carryover, if not deducted in computing federal capital gain.

Connecticut uses an apportionment method to determine the portion of income taxable in the state. This method isolates what percentage of a corporation's economic activity takes place in Connecticut. Three factors: sales, payroll and property compare Connecticut to the nation to arrive at this percentage. The sales factor is double weighted.

Special single-factor apportionment rules are currently provided for financial service companies, manufacturers and broadcasters.

Connecticut Net Income is taxed at the rate of 7.5%.

CORPORATION BUSINESS TAX (cont.)

Capital Base Method

The second and alternate method corporations must compute their tax under is the Capital Base. The capital base is the total value of the average capital stock, surplus and undivided profits, and surplus reserves, less the average values of deficits and stockholdings in private corporations. Multi-state corporations multiply their capital base by an apportionment fraction.

The capital base is taxed at a rate of 3.1 mils (\$0.0031) per dollar. Under the capital base method, a corporation is limited to a maximum tax of \$1,000,000. Financial service companies are excluded from the capital base method.

Minimum Tax

If a corporation's calculation of the tax is less than \$250 under both of the two previous methods, it pays a minimum tax, which is currently \$250. The majority of corporations pay the minimum tax.

Surtax

For the 2004 income year, all corporations, except those paying the minimum tax of \$250, paid a surtax equal to 25% of the tax due before credits are applied. No surtax was levied for the 2005 income year.

Effective for the 2006 income year, all corporations, except those paying the minimum tax of \$250, must pay a surtax in an amount equal to 20% of the tax due before credits are applied.

Combined Returns

If a corporation is permitted to file a federal consolidated return, it may file a combined return in Connecticut. Filing a combined return allows a group of corporations engaged in business in Connecticut to file jointly. Their combined Connecticut tax liability is determined after each corporation individually apportions its income to Connecticut.

CORPORATION BUSINESS TAX (cont.)

Preference Tax

A preference tax is imposed on corporations filing a combined return. These corporations are not entitled to the first \$250,000 of tax savings over what they would pay if they filed separately. Combined filers must determine the total tax due as if they were filing separately. The difference, up to \$250,000, between this amount and the total combined tax is the preference tax and must be added to the total combined tax.

The total amount due for income year 2004 combined filers had they filed separate single returns would have been \$391.3M. The preference tax due by these filers was \$35.2M. The total tax due by combined filers was \$216.8M, including the \$35.2M in preference tax.

Exemptions

- Cooperative housing corporations;
- Homeowners associations;
- Domestic international sales corporations;
- Insurance companies;
- Certain political organizations or associations exempt from federal income taxes under §527 of the Internal Revenue Code;
- Railroad companies subject to the gross earnings tax;
- Companies whose corporate headquarters are located in the insurance and financial services export zone in the City of Hartford and are conducting all of their business outside the United States;
- Connecticut passive investment companies formed by financial service companies to hold and manage loans secured by real property;
- Non-United States corporations whose sole activity conducted in Connecticut is the trading of stocks, commodities and securities; and
- Subchapter S corporations.

Filing Frequency

Annually with four estimated installments.

CORPORATION BUSINESS TAX (cont.)

Number of Taxpayers

2004 Corporation Business Tax Returns

	Number of Taxpayers	Tax Due Before Credits	Tax Due After Credits
Single Filers			
Net Income	8,915	\$218,700,630	\$197,076,318
Capital Base	4,999	35,842,646	25,016,851
Minimum Tax	29,112	6,612,360	6,572,196
Combined Filers			
Net Income	308	151,401,335	110,025,832
Capital Base	391	52,612,663	32,522,097
Minimum Tax	387	12,825,294	7,249,609
Unitary Filers			
Net Income	25	9,691,837	7,991,325
Capital Base	13	2,918,220	1,714,433
Minimum Tax	10	82,500	82,500
Total	44,160	\$490,687,485	\$388,251,161

CORPORATION BUSINESS TAX CREDITS

The State of Connecticut offers many Corporation Business Tax credits which a corporation may take advantage of to reduce its liability to the state. The amount of tax credits allowable cannot exceed 70% of the amount of tax due or reduce the amount of tax to less than \$250.

Apprenticeship Training

Reference: Conn. Gen. Stat. §12-217g as amended by 2006 Conn. Pub. Acts 174, §1

A corporation that hires apprentices in the manufacturing or plastics trades may apply for a credit of up to \$4,800 per apprenticeship. The amount of the credit is computed by multiplying the total number of apprentice work hours by \$4. The credit may not exceed 50% of the actual wages paid or \$4,800, whichever is less.

Corporations that hire apprentices in the construction trades may apply for a credit of up to \$4,000 per apprenticeship completed. The amount of the credit is computed by multiplying the total number of apprentice work hours by \$2. The credit may not exceed \$4,000 or 50% of the actual wages paid over the first four years of the apprenticeship, whichever is less.

Clean Alternative Fuels

Reference: Conn. Gen. Stat. §12-217i

The Clean Alternative Fuels credit enables a business to claim a credit for its expenditures on vehicles, equipment and filling stations that enable use of clean alternative fuel. This credit is not available for income years commencing on or after January 1, 2008. Unused credit may be carried forward for three years.

A 10% credit is allowed for the incremental cost of purchasing vehicles exclusively powered by clean alternative fuels.

A 50% credit is available for the expenses of equipment used in a compressed natural gas, liquefied petroleum gas or liquefied natural gas filling or electric recharging station and the purchase of equipment needed to convert a vehicle to clean alternative fuel. The credit also applies to amounts spent directly on the construction of any filling station or improvements to any existing filling station in order to provide compressed natural gas, liquefied petroleum gas or liquefied natural gas.

CORPORATION BUSINESS TAX CREDITS (cont.)

Computer Donation

Reference: Conn. Gen. Stat. §10-228b as amended by 2006 Conn. Pub. Acts 145, §1

A corporation business tax credit is available for the donation of new or used computers to a local or regional board of education or a public school. The amount of the credit shall not exceed 50% of the fair market value at the time of donation.

The amount of credit granted to any business firm cannot exceed \$75,000 annually. The total amount of credits allowed in any fiscal year is capped at \$1 million.

Effective for the 2006 income year, the credit has been expanded to include gifts of computers to non-public schools.

Displaced Workers

Reference: 2006 Conn. Pub. Acts 186, §81

A corporation business tax credit is available for employers that hire workers displaced because of a business restructuring in which at least ten employees were terminated. The available credit is \$1,500 for each displaced worker hired on or after January 1, 2006 who completes twelve months of full-time employment and whose salary is at least 75% of their previous annual wages.

Displaced Workers Hired By Electric Suppliers

Reference: Conn. Gen. Stat. §12-217bb

Electric suppliers that hire workers displaced by the restructuring of the electric industry may claim a credit of \$1,500 for each displaced worker employed at least 6 months.

Donation of Land

Reference: Conn. Gen. Stat. §§ 12-217dd and 12-217dd

This credit is available in an amount equal to 50% of the use value of the donation of land to be permanently preserved as protected open space or for educational use. Donations of land must be made to the state, a political subdivision of the state, or a nonprofit land conservation organization and may include any discount in the sales price. Unused credit may be carried forward until fully used for up to fifteen years.

CORPORATION BUSINESS TAX CREDITS (cont.)

Electronic Data Processing Equipment

Reference: Conn. Gen. Stat. §12-217t

The Electronic Data Processing Equipment Property Tax credit provides a 100% credit for property tax owed and paid on electronic data processing equipment. Unused credits may be carried forward for five succeeding income years.

Employer Assisted Housing

Reference: Conn. Gen. Stat. §12-217p as amended by 2006 Conn. Pub. Acts 189, §23

This credit was based on monies paid to a revolving loan fund for employer assisted housing. The fund had to be established and maintained by the corporation for five years and had to provide revolving loans for housing to its low and moderate income employees. The credit could be carried back or forward for five years.

Effective June 7, 2006, the credit is repealed.

Enterprise Zone or Entertainment District

Reference: Conn. Gen. Stat. §12-217e

The Enterprise Zone or Entertainment District Credit allows a business credit of 50% of its allocable tax for operating a manufacturing facility which meets certain employment criteria and is located within a designated enterprise zone or other area designated as having enterprise zone level benefits. Certification is required from the Department of Economic and Community Development. Corporations may claim this credit for 10 years beginning with the first year following the year of certification.

Enterprise Zone Credit For Qualifying Corporations

Reference: Conn. Gen. Stat. §12-217v

A credit is allowed to any qualifying corporation created on or after January 1, 1997 which hires at least 150 local employees qualifying under the Job Training Partnership Act to work within a designated Enterprise Zone. This credit is 100% of the corporation's tax liability for its first three years and 50% of its liability for the next seven.

CORPORATION BUSINESS TAX CREDITS (cont.)

Film Production

Reference: 2006 Conn. Pub. Acts 186, §65

This new tax credit is available for income years beginning on or after January 1, 2006. Any eligible production company incurring qualified production expenses over \$50,000 is eligible for a credit of 30% of such costs. Applications must be made to the Connecticut Commission on Culture and Tourism (CCCT) within 90 days after the first production expenses and costs are incurred and within 90 days after the last production expenses and costs are incurred. Any credit allowed may be sold, assigned or otherwise transferred to one or more taxpayers.

Financial Institutions

Reference: Conn. Gen. Stat. §12-217u

This credit is available to financial institutions that construct a new facility of at least 900,000 square feet and create a minimum of 1,200 new jobs. Each company must obtain an eligibility certificate from the Department of Economic and Community Development in order to claim this credit. Credit levels of 30%, 40% or 50% for years one through ten and 25% for years eleven through fifteen are based on the number of qualified employees. This credit may be taken for up to fifteen years.

Fixed Capital Investments

Reference: Conn. Gen. Stat. §12-217w

This credit is based on 5% of the amounts paid or incurred for any new tangible personal property that has a class life of more than four years, is not sold or leased within 12 months, and will be held and used in Connecticut for at least five years. Inventory, land, buildings and mobile transportation equipment are not included. Unused credits may be carried forward for five succeeding income years.

Hiring Incentive

Reference: Conn. Gen. Stat. §12-217y

This credit is available to companies that hire recipients of the Temporary Family Assistance (TFA) program. The employees must have been receiving TFA benefits for at least 9 months and have worked at least 30 hours per week to qualify. A corporation may claim a credit of \$125 for each full month that the worker is employed. Unused credits may be carried forward for five succeeding income years.

CORPORATION BUSINESS TAX CREDITS (cont.)

Historic Homes Rehabilitation

Reference: Conn. Gen. Stat. §10-320j

The Connecticut Commission on Culture and Tourism may allocate up to \$3 million in vouchers for this credit during any fiscal year. Owners of historic homes must incur qualified rehabilitation expenditures that exceed \$25,000 in order to qualify. After the work is performed and verified, a tax credit is allowed for 30% of the qualified rehabilitation expenditures. The credit is limited to \$30,000 per dwelling. Unused credits may be carried forward for four succeeding income years.

Historic Structure Rehabilitation

Reference: 2006 Conn. Pub. Acts 186, §82

This new tax credit is available to owners rehabilitating certified historic structures for residential use. The Connecticut Commission on Culture and Tourism may allocate up to \$15 million in vouchers for this credit during any fiscal year. After the rehabilitation work is performed and verified, a tax credit is allowed for 25% of the qualified rehabilitation expenditures not to exceed \$2.7 million. Unused credits may be carried forward for five succeeding income years.

Housing Program Contribution

Reference: Conn. Gen. Stat. §8-395 as amended by 2006 Conn. Pub. Acts 189, §23

This tax credit program enables corporations to contribute to housing programs that benefit low and moderate income individuals and families. These programs are sponsored, developed or managed by nonprofit corporations and must be approved by the Connecticut Housing Finance Authority. The credit is the amount of the contribution, not to exceed \$75,000 per business. Unused credits may be carried back to the five preceding income years and forward for five succeeding income years.

CORPORATION BUSINESS TAX CREDITS (cont.)

Human Capital Investments

Reference: Conn. Gen. Stat. §12-217x

The Human Capital Investments credit is based on 5% of the amounts paid or incurred for various job training and work education programs, child care subsidies to Connecticut employees, day care facility establishment costs and donations to institutions of higher education for improvements to technology. Unused credits may be carried forward for five succeeding income years.

Insurance Reinvestment Fund

Reference: Conn. Gen. Stat. §38a-88a

A credit may be applied against the corporation business tax for investments made through a registered fund manager. These investments must be specifically earmarked for insurance businesses incorporated in Connecticut that occupy new facilities and create new jobs. The credit is 10% of amounts invested in qualified insurance businesses, beginning 3 years but not later than 7 years from the date of investment. For years 7 through 10, the credit increases to 20% of the invested amounts. Unused credits may be carried forward for five succeeding income years or assigned to another taxpayer.

Managers of eligible funds must have registered with the Commissioner of Economic and Community Development by July 1, 2000 in order for their investors to be able to claim this credit. No further credits will be allowed for investments in funds created on or after July 1, 2000.

Machinery and Equipment

Reference: Conn. Gen. Stat. §12-217o

This credit is based upon the incremental increase in expenditures for machinery and equipment acquired for and installed in Connecticut. The rate of credit is either 5% or 10% depending on the number of full time employees in Connecticut.

CORPORATION BUSINESS TAX CREDITS (cont.)

Manufacturing Facility in a Targeted Investment Community

Reference: Conn. Gen. Stat. §12-217e

A credit of 25% may be applied against the portion of the Corporation Business tax allocable to a manufacturing facility located in a targeted investment community. The Commissioner of Economic and Community Development must certify that the facility is operating in a designated area of high unemployment. The credit period lasts for ten years beginning with the first year following certification.

Neighborhood Assistance Act Program

Reference: Chapter 228a of the Conn. Gen. Stat.

The Connecticut Neighborhood Assistance Act tax credit program is designed to provide funding for municipal and non-profit organizations.

Businesses are granted a tax credit of 60% of the amount contributed to certain approved programs conducted by municipal and non-profit organizations. Unused credits may be carried back to the two preceding income years.

The program has several statutory limits. A business is limited to receiving \$75,000 in tax credit annually. A non-profit organization is limited to receiving \$150,000 in contributions in the aggregate. Also, a business' total charitable contributions must equal or exceed its prior year's amount. The minimum contribution on which credit can be granted is \$250. The program has a \$5M cap, which if exceeded, results in proration of approved donations.

New Jobs Creation

Reference: 2006 Conn. Pub. Acts 186, §80

This new tax credit is available to businesses that relocate to Connecticut and create at least 50 new jobs. To qualify, the taxpayer must not have been conducting business in Connecticut prior to submitting an application with the Department of Economic and Community Development. The credit allowed is an amount up to 25% of the Connecticut income tax deducted and withheld from the wages of new employees. For each new employee, credits may be granted for five successive income years.

CORPORATION BUSINESS TAX CREDITS (cont.)

Research and Development Expenditures

Reference: Conn. Gen. Stat. §12-217n

A credit may be applied against the Corporation Business Tax for expenses of research and development conducted in Connecticut. The amount allowed as credit increases ratably from 1% of the annual research and development expenses paid or incurred, where such expenses equal \$50 million or less, to 6% where expenses exceed \$200 million. The 6% credit is extended to qualified small businesses with a gross income that does not exceed \$100 million.

Qualified small businesses may exchange unused amounts of this credit with the state for a cash payment of 65% of the value of the credit or carry these amounts forward at full value. Credit refunds are limited to \$1.5 million in any one income year. Unused credits may be carried forward until fully taken.

Research and Development Grants to Institutions of Higher Education

Reference: Conn. Gen. Stat. §12-217l

This credit is available for 25% of the incremental increase in amounts spent by a corporation for a qualifying grant or combination of grants to any institution of higher education in Connecticut for the purposes of research and development related to advancements in technology.

Research and Experimental Expenditures

Reference: Conn. Gen. Stat. §12-217j

This is a tax credit based on the incremental increase in expenditures for research and experiments conducted in Connecticut. The amount of the credit equals 20% of the amount spent by the corporation directly on research and experimental expenditures that exceeds the amount spent in the preceding income year. Unused credits may be carried forward for fifteen succeeding income years.

Qualified small businesses may exchange unused amounts of this credit with the state for a cash payment of 65% of the value of the credit or carry these amounts forward at full value. Credit refunds are limited to \$1.5 million in any one income year.

CORPORATION BUSINESS TAX CREDITS (cont.)

Service Facility

Reference: Conn. Gen. Stat. §12-217e

This credit is available to companies with a service facility located in a Connecticut targeted investment community which hire new employees and have an eligibility certificate issued by the Commissioner of Economic and Community Development. The credit is based on the portion of tax allocable to such facility and the number of new employees working there. Credit percentages range from 15% to 50% depending on the number of new employees. The credit period is ten years.

Small Business Guaranty Fee

Reference: Conn. Gen. Stat. §12-217cc

Small businesses with less than \$5 million in gross receipts may claim this credit equal to the amount paid to the federal Small Business Administration as a guaranty fee to obtain guaranteed financing during the income year. Unused credits may be carried forward for four succeeding income years.

Traffic Reduction Programs

Reference: Conn. Gen. Stat. §12-217s

This is a 50% credit for traffic reduction program expenses related to the attainment of federal Clean Air Act standards. This credit is available for corporations employing 100 or more people located in a severe non-attainment area. The credit cannot exceed \$250 per participating employee.

Urban or Industrial Site Investment

Reference: Conn. Gen. Stat. §32-9t

This credit is available for investments in eligible urban reinvestment projects and industrial site investment projects. Investments may be made directly or through a registered fund manager and must be certified by the Commissioner of Economic and Community Development. The credit is 10% of the qualified investments, beginning 4 years but not later than 7 years from the date of investment. For years 8 through 10, the credit increases to 20% of the invested amounts. Unused credits may be carried forward for five succeeding income years or assigned to another taxpayer.

CORPORATION BUSINESS TAX CREDITS (cont.)

The table below shows the number of corporation tax credits claimed and the amounts taken for each of the corporation credit programs utilized by businesses. The figures represent credit claimed on 2004 returns and reflect any credits carried forward from prior years and used in 2004.

Credit Claimed on 2004 Corporation Returns

Type of Credit	Number of Credits	Amount Claimed
Apprenticeship Training	14	\$ 86,370
Clean Alternative Fuels	2	23,819
Donation of Land	4	1,234,270
Electronic Data Processing	1,770	16,698,046
Employer Assisted Housing	1	8,029
Financial Institutions	2	2,556
Fixed Capital	2,466	57,932,133
Hiring Incentive	2	8,483
Historic Homes Rehabilitation	3	265,000
Housing Program Contribution	8	1,739,525
Human Capital	172	2,258,410
Insurance Reinvestment	3	314,773
Machinery and Equipment	203	2,117,602
Manufacturing Facility in Targeted Investment Community or Enterprise Zone	45	1,869,062
Neighborhood Assistance	84	1,217,040
Research & Development	134	5,932,629
Research & Experimental Expenditures	149	10,268,517
Research & Development Grants	1	1,512
SBA Guaranty Fee	4	239,602
Traffic Reduction	7	218,946
Total	5,074	\$102,436,324

DRY CLEANING SURCHARGE

The Dry Cleaning Surcharge is used to provide grants to dry cleaning establishments for the containment and removal or mitigation of environmental pollution resulting from dry cleaning activity. The surcharge is also used to fund measures, which are approved by the Commissioner of Economic and Community Development, undertaken to prevent pollution. Monies collected are deposited into the Dry Cleaning Remediation Account, which is used to provide these grants.

Revenue	
FY 2003-04	\$800,948
2004-05	753,380
2005-06	615,934

Basis and Rate

1% of gross receipts at retail.

Number of Taxpayers/Filing Frequency

551 taxpayers/Quarterly

GIFT AND ESTATE TAX

Recent legislation has significantly changed the way that Connecticut taxes gifts and estates. In addition to modifying both the Estate Tax and the Gift Tax, 2005 Conn. Pub. Acts 251 and 2005 Conn. Pub. Acts 3 (June Spec. Sess.) repealed the Succession Tax for estates of decedents dying on or after January 1, 2005.

Connecticut taxable gifts made during calendar years beginning on or after January 1, 2005 are subject to tax once they exceed \$2 million in the aggregate. "Connecticut taxable gifts" are defined as taxable gifts as determined for federal gift tax purposes. They include:

- Gifts of Connecticut real property;
- Gifts of tangible personal property situated within Connecticut; or
- Gifts of intangible personal property made by Connecticut residents.

Taxpayers are required to file a Connecticut Gift Tax return to report all Connecticut taxable gifts, even if no Connecticut gift tax is due.

Resident and nonresident estates of decedents dying on or after January 1, 2005 are liable for the Connecticut Estate Tax if their Connecticut taxable estate is more than \$2 million. "Connecticut taxable estate" is defined as the sum of the total value of the decedent's federal gross estate, less allowable deductions, plus the aggregate amount of Connecticut taxable gifts made on or after January 1, 2005. Once the \$2 million threshold is exceeded, the tax is payable on the entire amount, including the first \$2 million. A credit is granted for any gift tax previously paid on gifts made after January 1, 2005.

Under prior law, the Estate Tax was equal to the amount that the federal government allowed as a tax credit for state death taxes. A credit was allowed for the amount of Connecticut Succession Tax imposed and paid. Federal legislation had phased-out the federal credit for state death taxes, thereby eliminating the basis of the Connecticut Estate Tax by 2005.

Legislation enacted in 2003 imposed a special estate tax on estates of decedents dying on or after July 1, 2004 and before January 1, 2005. This special estate tax required the estates to compute the Connecticut Estate tax as if the decedent had died prior to the federal phase-out of the state death tax credit.

	Gift Tax Revenue	Estate Tax Revenue	Gift and Estate Tax Revenue
FY 2003-04	\$24,315,810	\$83,135,828	
2004-05	27,772,988	179,371,121	
2005-06	7,199,978 *	12,748,634 *	\$176,655,601

* Revenues from late returns and audit activity.

GIFT AND ESTATE TAX (cont.)

Basis and Rate

For gifts made, or the estates of decedents dying on or after January 1, 2005, the table below is used to compute the Gift and Estate tax:

Aggregate Amount of Connecticut Taxable Gifts or Connecticut Taxable Estate		Tax
More Than	Not Over	
	\$2,000,000	No tax
\$2,000,000	\$2,100,000	5.085% of the excess over \$0
\$2,100,000	\$2,600,000	\$106,800 plus 8% of the excess over \$2,100,000
\$2,600,000	\$3,100,000	\$146,800 plus 8.8% of the excess over \$2,600,000
\$3,100,000	\$3,600,000	\$190,800 plus 9.6% of the excess over \$3,100,000
\$3,600,000	\$4,100,000	\$238,800 plus 10.4% of the excess over \$3,600,000
\$4,100,000	\$5,100,000	\$290,800 plus 11.2% of the excess over \$4,100,000
\$5,100,000	\$6,100,000	\$402,800 plus 12% of the excess over \$5,100,000
\$6,100,000	\$7,100,000	\$522,800 plus 12.8% of the excess over \$6,100,000
\$7,100,000	\$8,100,000	\$650,800 plus 13.6% of the excess over \$7,100,000
\$8,100,000	\$9,100,000	\$786,800 plus 14.4% of the excess over \$8,100,000
\$9,100,000	\$10,100,000	\$930,800 plus 15.2% of the excess over \$9,100,000
\$10,100,000		\$1,082,800 plus 16% of the excess over \$10,100,000

GIFT AND ESTATE TAX (cont.)

Detail of Revenue

For Fiscal Year 2005-06, total Gift and Estate Tax revenue collected was \$176,655,601. Most of this revenue is attributable to returns from the estates of decedents. A breakdown of returns from estates received during fiscal year 2005-06 is shown below.

GIFT AND ESTATE TAX RETURNS FROM ESTATES OF DECEDENTS RECEIVED DURING FY 2005-06

Amount of Taxable Estate		# of Returns	Tax Due
More Than	Not Over		
\$2 Million	\$3 Million	75	\$ 9,015,399
\$3 Million	\$4 Million	35	7,133,378
\$4 Million	\$5 Million	13	3,876,912
\$5 Million	\$6 Million	11	3,946,038
\$6 Million	\$7 Million	4	2,069,099
\$7 Million	\$8 Million	6	4,329,212
\$8 Million	\$10 Million	6	5,564,750
\$10 Million	\$15 Million	4	4,178,628
\$15 Million	\$25 Million	5	11,311,820
\$25 Million		6	51,689,344
Total		165	\$103,114,580

For Fiscal Year 2005-06, an additional amount of the gift and estate tax was attributable to tax returns filed by non-decedents. A breakdown of calendar year 2005 returns is shown below.

GIFT AND ESTATE TAX RETURNS 2005 GIFT TAX ONLY

Amount of Taxable Gifts		# of Returns	Tax Due
More Than	Not Over		
\$2 Million	\$5 Million	6	\$ 881,005
\$5 Million		4	8,871,951
Total		10	\$ 9,752,956

INCOME TAX

For income years commencing on or after January 1, 2003, the highest marginal rate for individuals is 5%. Nonresidents and part-year resident individuals, trusts and estates are also subject to the tax on income derived from or connected with sources within the State. Connecticut taxable income is defined as adjusted gross income for federal tax purposes with certain modifications and exemptions described below.

Revenue	
FY 2003-04	\$4,943,298,950
2004-05	5,570,692,650
2005-06	6,156,411,020

Number of Taxpayers/Filing Frequency

1.7 million taxpayers/ Annually

Taxpayers who expect to owe more than \$1,000 in income tax, in addition to income tax withheld, are required to file four estimated tax payments.

Basis and Rate

Filing Status	Connecticut Taxable Income	Rate of Tax
Single/ Married Filing Separate	Not over \$10,000	3%
	Over \$10,000	\$300, plus 5% of the excess over \$10,000
Head of Household	Not over \$16,000	3%
	Over \$16,000	\$480, plus 5% of the excess over \$16,000
Joint	Not over \$20,000	3%
	Over \$20,000	\$600, plus 5% of the excess over \$20,000

INCOME TAX (cont.)

Exemptions

- \$12,625 for unmarried individuals. Effective for taxable years commencing on or after January 1, 2004 but prior to January 1, 2007. For taxpayers with Connecticut AGI in excess of \$25,250, the exemption decreases by \$1,000 for each \$1,000 increase in Connecticut AGI. The exemption is phased out at \$36,250.
- \$12,000 for married persons filing separately and civil union filing separately. For taxpayers with Connecticut AGI in excess of \$24,000, the exemption decreases by \$1,000 for each \$1,000 increase in Connecticut AGI. The exemption is phased out at \$35,000.
- \$19,000 for heads of household. For taxpayers with a Connecticut AGI in excess of \$38,000, the exemption decreases by \$1,000 for each additional \$1,000 of Connecticut AGI. There is no exemption if the taxpayer earns more than \$56,000.
- \$24,000 for married persons filing jointly, civil union filing jointly, or qualifying widow(er) with dependent child. The exemption for joint filers decreases by \$1,000, for taxpayers whose Connecticut AGI exceeds \$48,000, for each \$1,000 increase in Connecticut AGI. The exemption is phased out at \$71,000.
- Social Security benefits for single filers and married individuals filing separately whose federal adjusted gross income for the taxable year is less than \$50,000. Social Security benefits for married individuals filing jointly and head of household filers whose federal adjusted gross income for the taxable year is less than \$60,000.

Common Additions

- Interest on state and local obligations other than Connecticut;
- Exempt-interest dividends (other than those derived from obligations of the State of Connecticut or its municipalities);
- Pro rata share of certain S Corporation shareholder's loss;
- The total taxable amount of a lump sum distribution for the taxable year deductible from gross income in calculating federal adjusted gross income; and
- Loss on sale of Connecticut bonds.

Common Subtractions

- Interest on U.S. obligations;
- Dividends from certain mutual funds consisting of U.S. obligations;
- Social Security Benefit Adjustment;
- Refunds on state and local income taxes;
- Tier 1 and Tier 2 railroad retirement benefits and supplemental annuities;
- Pro rata share of certain S Corporation shareholder's income;
- Gain on sale of Connecticut bonds; and
- Connecticut Higher Education Trust (CHET) contributions of up to \$5,000 for each individual taxpayer whose filing status is single, head of household, married

INCOME TAX (cont.)

fling separately or civil union filing separately or \$10,000 for individuals whose filing status is married filing jointly, civil union filing jointly or qualifying widow(er) with dependent child. Effective for taxable years commencing on or after January 1, 2006.

Withholding Requirement

Connecticut requires anyone who maintains an office or transacts business in Connecticut, and who is considered an employer for federal income tax withholding purposes, to withhold Connecticut income tax whether or not the payroll department is located in Connecticut.

Estimated Tax Payments

Taxpayers must make estimated payments if their Connecticut income tax (after tax credits) minus Connecticut tax withheld is more than \$1,000, and they expect their Connecticut income tax withheld to be less than their required annual payment.

Connecticut Alternative Minimum Tax

Taxpayers who are subject to, and required to pay, the federal alternative minimum tax are subject to the Connecticut Alternative Minimum Tax. Effective for income years commencing on or after January 1, 2003, the alternative minimum tax is computed on the lesser of 19% of the adjusted federal tentative minimum tax, or 5½% of adjusted federal alternative minimum taxable income.

Tax Credit For Property Taxes Paid To A Political Subdivision

Connecticut residents are eligible for an income tax credit for property taxes paid to a Connecticut political subdivision on a primary residence and/or privately owned or leased motor vehicle. The maximum credit for taxable years commencing on or after January 1, 2003 is \$350 per return. For taxable years commencing on or after January 1, 2006, the maximum credit is \$500 per return. The credit cannot exceed the amount of qualifying property taxes paid or income tax liability.

Tax Credit For Income Taxes Paid To Qualifying Jurisdictions

Connecticut residents may claim an income tax credit if any part of their income was taxed by a qualifying jurisdiction. A qualifying jurisdiction includes another state of the United States, a local government within another state or the District of Columbia. A qualifying jurisdiction does not include the State of Connecticut, the United States or a foreign country or its provinces.

INSURANCE PREMIUMS TAX

Insurance companies are taxed in Connecticut on the total net direct premiums received from policies written on property or risks within the State. In addition, total net direct subscriber charges received on any new or renewal contract or policy by a health care center is also taxed. Persons who purchase insurance from unauthorized insurers are also subject to tax. Unauthorized insurers are defined as an insurer who has not been granted a certificate of authority by the Commissioner to transact the business of insurance in Connecticut, or an insurer transacting business not authorized by a valid certificate.

Revenue	
FY 2003-04	\$222,419,343
2004-05	244,111,262
2005-06	256,717,784

Exemptions

- Premiums sold for ocean and inland marine insurance of nonresident and foreign companies;
- Medicaid, Medicare, HUSKY Plan, and State Employee Health plans from health care centers subscriber charges; and
- New or renewal contracts or policies written to provide health care coverage to retired teachers, spouses or a surviving spouse, employees and retired members and their dependents, of a Connecticut municipality, employees of community action agencies and their dependents, and small employer's employees and their dependents under a plan procured pursuant to Conn. Gen. Stat. §5-259(i), from net direct subscriber charges of health care centers.

Number of Taxpayers/Filing Frequency

1,400 insurance companies/ Annually

Quarterly estimated payments for domestic and foreign insurers and health care centers.

Basis and Rate

- 1.75% of net direct premiums received by domestic and foreign insurance companies.
- 4% of gross premiums charged by unauthorized insurers; and
- 1.75% of net direct subscriber charges of health care centers.

INSURANCE PREMIUMS TAX (cont.)

Comparative Data

	FY 2003-04	FY 2004-05	FY 2005-06
Domestic	\$ 33,867,965	\$ 36,455,232	\$ 44,241,863
Foreign	140,282,729	156,532,591	160,253,745
Health Care Center	42,410,695	45,169,057	45,927,135
Unauthorized	5,857,953	5,954,383	6,295,041
Total	\$222,419,342	\$244,111,263	\$256,717,784

Tax Credits

The State of Connecticut provides for several tax credits which may be applied against the Insurance Premiums Tax. Described below is the credit unique to the Insurance Premiums Tax. Please turn to the Corporation Business Tax section of this report for additional information on business tax credits.

Insurance Department Assessment Credit

Reference: Conn. Gen. Stat. §12-202

Certain local domestic insurance companies are allowed a credit against the insurance premiums tax in the amount of 80% of the Connecticut Insurance Department assessment paid during the calendar year if their admitted assets do not exceed amounts specified in Conn. Gen. Stat. §12-202.

Calendar Year 2005 Insurance Business Tax Credits

Type of Credit	Number of Credits	Amount of Credit Claimed
Electronic Data Processing	26	\$13,819,019
Housing Program Contribution	4	377,410
Insurance Department Assessment	10	973,210
Insurance Reinvestment	15	4,488,722
Neighborhood Assistance	3	106,021
Historic Homes	6	1,062,543
Total Credits	64	\$20,826,925

MOTOR CARRIER ROAD TAX

Since 1996, Connecticut has participated in the International Fuel Tax Agreement (IFTA), which is a cooperative agreement among most states and provinces of Canada to simplify the collection and reporting of fuel use tax by interstate motor carriers. Under IFTA, fuel tax returns are filed in the base jurisdiction of the motor carrier. The base jurisdiction of a motor carrier is where the vehicle is based for registration purposes and where operations are controlled and the vehicle is operated. For IFTA fuel tax reporting, a qualified motor vehicle is a vehicle that is designed to transport persons or property and that has: two axles and a gross vehicle weight or registered gross vehicle weight over 26,000 pounds; or three or more axles regardless of weight; or when used in combination, a combined gross vehicle weight over 26,000 pounds. Motor carriers who meet this qualification, and who travel solely within the State, are not required to file a return, but instead are subject to the tax at the time of purchase.

Revenue	
FY 2003-04	\$12,875,278
2004-05	13,238,534
2005-06	14,429,719

Exemption

- Motor bus companies whose operations in Connecticut are exclusively for purposes of charter or special operations; and
- Alternative fuels (compressed natural gas, liquefied petroleum gas, and liquefied natural gas).

Number of Taxpayers/Filing Frequency

2,760 IFTA filers/Quarterly
3,500 Motor Carrier filers/Quarterly

Basis and Rate

	Rate per Gallon
Gasoline	25¢
Gasohol	25¢
Diesel Fuel	26¢
Natural Gas or Propane	26¢

MOTOR VEHICLE FUELS TAX

Motor fuel used or sold in Connecticut is subject to the Motor Vehicle Fuels Tax. "Fuel" includes gasoline, diesel, gasohol, propane, or any combustible gas or liquid that generates the power needed to propel a motor vehicle.

Revenue	
FY 2003-04	\$451,903,729
2004-05	470,846,222
2005-06	466,438,597

Exemptions

- Fuel sold to United States Government, the State of Connecticut, any Connecticut municipality or transit district, when such fuel is used in vehicles owned and operated, or leased and operated by any of the aforementioned entities;
- Fuel sold exclusively for heating purposes and to furnish gas, water, steam or electricity, if delivered to consumers through mains, lines or pipes;
- Alternative fuels (compressed natural gas, liquefied petroleum gas, and liquefied natural gas);
- Aviation fuel and fuel sold to owners or operators of an aircraft, or to a licensed aviation fuel dealer whose place of business is located at an airport;
- Fuel used in school buses; and
- Diesel fuel sold exclusively for use in portable power system generators that are larger than one hundred fifty kilowatts.

Number of Taxpayers/Filing Frequency

700 taxpayers/Monthly

Basis and Rate

	Rate per Gallon
Gasoline	25¢
Gasohol	25¢
Diesel Fuel	26¢
Natural Gas or Propane	26¢

MOTOR VEHICLE FUELS TAX (cont.)

Comparative Data

	Number of Gallons Sold		
	FY 2003-04	FY 2004-05	FY 2005-06
Gasoline*	612,917,637	299,774	0
Special Fuel	249,716,225	262,415,152	263,105,879
Gasohol	957,461,189	1,596,356,313	1,584,964,295
Total Gallons	1,820,095,051	1,859,071,239	1,848,070,174

* MTBE Ban

As result of the ban on the additive methyl tertiary butyl ether (MTBE) being used in fuel, the table reflects a dramatic shift away from gasoline sales beginning with the 2003-04 fiscal year. As you can see, no gallonage figures for gasoline sales were reported. This will continue in the future.

NURSING HOME USER FEE

The Nursing Home User Fee was enacted during the 2005 session of the Connecticut General Assembly and applies to calendar quarters beginning on or after July 1, 2005. It is imposed on each chronic and convalescent nursing home or rest home with nursing supervision that is licensed as a nursing home by the Department of Public Health.

Revenue	
FY 2005-06	\$123,892,769

Basis and Rate

The resident day user fee is determined by the Department of Social Services on or before July 1 of each calendar year. This amount is multiplied by the nursing home's total resident days during the calendar quarter.

Number of Taxpayers/Filing Frequency

234 taxpayers/Quarterly

OCCUPATIONAL TAX

An occupational tax is levied against any person who has been admitted as an attorney by the judges of the superior court, and who is engaged in the practice of law in Connecticut.

Revenue	
FY 2003-04	\$6,007,724
2004-05	6,402,371
2005-06	5,936,346

Exemptions

- Judges and employees of the State of Connecticut;
- Any attorney who has retired from the practice of law;
- Any attorney serving on active duty with the United States Armed Forces for more than six months of a given year; and
- Any attorney employed by a political subdivision of Connecticut or any probate court.

Number of Taxpayers/Filing Frequency

14,225 Attorneys/ Annually

Basis and Rate

\$450 per practicing attorney

PETROLEUM PRODUCTS GROSS EARNINGS TAX

A tax is levied on the gross earnings of companies distributing petroleum products in Connecticut. Petroleum products include gasoline, aviation fuel, kerosene, diesel fuel, benzol, distillate fuels, residual fuels, crude oil and derivatives of petroleum such as paint, detergents, antiseptics, fertilizers, nylon, asphalt, plastics and other similar products.

Revenue	
FY 2003-04	\$139,895,375
2004-05	179,047,466
2005-06	279,590,420

Exemptions

- Number 2 heating oil used exclusively for heating purposes or in a commercial fishing vessel;
- Bunker fuel oil, intermediate fuel, marine diesel oil and marine gas oil used in vessels displacing over 4,000 dead weight tons;
- Kerosene used exclusively for heating purposes, when the fuel is delivered via a truck with a metered delivery ticket, or to a centrally metered system serving a group of homes;
- Propane gas used exclusively for heating and used as a fuel for a motor vehicle;
- Paraffin and microcrystalline waxes;
- Gross earnings from the sale or use of Number 2 heating oil used exclusively in vessels engaged in interstate commerce and Number 6 fuel oil used by manufacturers;
- Petroleum products used as fuel for a fuel cell; and
- Commercial heating oil blend containing not less than 10% alternative fuels derived from agricultural produce, food waste, waste vegetable oil or municipal solid waste, including, but not limited to biodiesel or low sulfur dyed diesel fuel and kerosene. Such blended products must be used for commercial heating.

Number of Taxpayers/Filing Frequency

700 taxpayers/Quarterly

Basis and Rate

Calendar quarters commencing:	Rate
prior to July 1, 2005	5.0%
on or after July 1, 2005	5.8%
on or after July 1, 2006	6.3%
on or after July 1, 2007	7.0%
on or after July 1, 2008	7.5%
on or after July 1, 2013	8.1%

PUBLIC SERVICE COMPANIES TAX

Revenue	
FY 2003-04	\$195,644,635
2004-05	198,819,211
2005-06	227,263,285

Exemptions

- All sales for resale of water, steam, gas, and electricity to public service corporations and municipal utilities;
- Gas and Electric sales to manufacturing in SIC codes 2000 through 3999 or NAICS code sectors 31-33;
- Natural Gas sold to out-of-state users or entities;
- Sales by a gas company of natural gas or propane used as a motor vehicle fuel; and
- Retail sales of steam by utility companies.

Number of Taxpayers/Filing Frequency

120 taxpayers:

75 Public Utility Companies/Quarterly

29 Community Antenna TV Companies/Quarterly

4 Satellite TV Companies /Quarterly

12 Railroad Companies/ Annually (July 1)

Basis and Rate

Community Antenna TV	5%
Satellite TV	5%
Railroad	2 - 3.5%
Gas, Electric and Power	5%
Gas and Electric sales to residential customers	4%

Residential Credit

The electric, power, and gas companies claimed \$7,951,264 in Fiscal Year 2005-06 under the one-percent credit attributable to the sale of gas and electric power for residential use.

Manufacturing Companies Credit

\$16,355,731 was claimed in credit for Fiscal Year 2005-06 for gas and electric sales used directly by a company engaged in a manufacturing production process.

PUBLIC SERVICE COMPANIES TAX (cont.)

Comparative Data

	FY 2003-04	FY 2004-05	FY 2005-06
Community Antenna & Satellite TV Systems	\$38,492,786	\$41,173,821	\$44,268,695
Electric & Power Companies	28,426,666	47,351,605	115,710,224
Gas Companies	48,063,793	40,765,703	0
Gas and Electric Companies	80,388,880	69,425,848	67,188,979
Railroad Companies	272,510	102,234	95,387
Total Tax	\$195,644,635	\$198,819,211	\$227,263,285

Electric Restructuring

Since January 1, 2000, the gross receipts tax on generation services by electric distribution companies has been eliminated, and the rate on transmission and distribution services was increased to 6.8% for residential customers and to 8.5% for non-residential customers (other than manufacturers) as of the same date. Also, the Competitive Transition Assessment (CTA), the Systems Benefit Charge (SBC) and the charges for energy conservation and renewable energy are subject to the gross receipts tax.

Municipal Electric Utilities

Effective for calendar quarters commencing on or after July 1, 2006, the gross earnings of municipal electric utilities in Connecticut will be taxed in the same manner as the gross earnings of electric distribution companies. For calendar quarters commencing on or after July 1, 2006 municipal electric utilities are subject to gross earnings tax only on their gross earnings from providing electric transmission services and electric distribution services and will no longer be taxed on their gross earnings from other sources. The rate is 6.8% for transmitting and distributing power to residential customers and 8.5% on nonresidential services.

REAL ESTATE CONVEYANCE TAX

Connecticut imposes a tax on the conveyance of real property. The tax is assessed on the full purchase price of the property and is determined by the classification of the property being conveyed. Payment of the tax is the responsibility of the seller of the property and must be paid before the deed can be recorded.

Revenue	
FY 2003-04	\$ 174,775,490
2004-05	199,193,074
2005-06	201,123,111

Exemptions

- Deeds which this state is prohibited from taxing under the constitution or laws of the United States;
- Deeds which secure a debt or other obligation;
- Deeds to which this state or any of its political subdivisions or their respective agencies is a party;
- Deeds of release of property which is security for a debt or other obligation;
- Deeds of partition;
- Deeds made pursuant to mergers of corporations;
- Deeds made by subsidiary corporation to its parent corporation for no consideration other than the cancellation or surrender of the subsidiary's stock;
- Conveyance of an interest in real property pursuant to a decree of the superior court;
- Certain exempt corporation transfers;
- All transfers between spouses;
- Any deeds of property located in an entertainment district;
- Conveyances of burial rights;
- Land development rights to agricultural land under the state farmland preservation program; and
- Transfers or conveyances of real estate to effectuate a mere change of identity or form of ownership or organization where there is no change in beneficial ownership.
- Employee relocation company or employer re-sales within six months of conveyance from relocated employee.

REAL ESTATE CONVEYANCE TAX (cont.)

Basis and Rate

Classification	Rate
Unimproved Land	0.5%
Nonresidential property other than Unimproved Land	1.0%
Residential Dwelling:	
Portion \$800,000 or less	0.5%
Portion that exceeds \$800,000	1.0%
Residential Property other than Residential Dwelling	0.5%
Delinquent Mortgage	0.5%

The table on the following page will show the number of conveyances by price of property and the conveyance tax revenue generated for the same price increments.

REAL ESTATE CONVEYANCE TAX (cont.)

Fiscal Year 2005-06 Conveyances

Amount of Consideration	Number of Taxable Conveyances	Number of Non-Taxable Conveyances *	Number of Exempt Conveyances	Tax Remitted
Under \$2,000	0	35,002	8,615	\$ 0
\$ 2,000 to \$ 29,999.99	1,951	0	14	146,160
\$ 30,000 to \$ 39,999.99	683	0	2	119,293
\$ 40,000 to \$ 49,999.99	617	0	2	138,593
\$ 50,000 to \$ 59,999.99	786	0	3	216,613
\$ 60,000 to \$ 69,999.99	826	0	1	271,538
\$ 70,000 to \$ 79,999.99	977	0	3	377,524
\$ 80,000 to \$ 89,999.99	1,072	0	3	459,216
\$ 90,000 to \$ 99,999.99	991	0	2	476,145
\$100,000 to \$109,999.99	1,099	0	7	581,422
\$110,000 to \$119,999.99	1,225	0	7	712,519
\$120,000 to \$129,999.99	1,658	0	4	1,052,281
\$130,000 to \$139,999.99	1,806	0	7	1,230,742
\$140,000 to \$149,999.99	1,802	0	4	1,313,746
\$150,000 to \$159,999.99	2,277	0	8	1,785,427
\$160,000 to \$169,999.99	2,214	0	10	1,843,488
\$170,000 to \$179,999.99	2,346	0	2	2,067,486
\$180,000 to \$189,999.99	2,440	0	5	2,269,676
\$190,000 to \$199,999.99	2,307	0	4	2,266,100
\$200,000 to \$249,999.99	11,594	0	18	13,119,935
\$250,000 to \$299,999.99	9,590	0	20	13,250,747
\$300,000 to \$499,999.99	17,802	0	35	34,502,212
\$500,000 to \$599,999.99	3,490	0	5	9,920,373
\$600,000 to \$699,999.99	2,160	0	11	7,300,899
\$700,000 to \$799,999.99	1,520	0	2	5,953,266
\$800,000 and over	5,730	0	14	94,580,037
Total	78,963	35,002	8,808	\$ 195,955,438

* Non-taxable equals no consideration or consideration of less than \$2,000

RENTAL SURCHARGE

The Rental Surcharge is imposed on the rental of each private passenger motor vehicle in Connecticut by a rental company for a period of less than 31 days. Rental companies must pay over the portion of the surcharge collected during the calendar year that exceeds the amount paid in personal property tax and the amount paid in titling and registration fees.

The rental surcharge is also applicable to the rental of any rental truck, defined as either a vehicle rented without a driver that has a gross vehicle weight rating of 26,000 pounds or less and is used in the transportation of personal property but not for business purposes, or a trailer that has a gross vehicle weight rating of not more than 6,000 pounds.

Effective July 1, 2005, the surcharge was broadened to include a 1.5% surcharge on machinery rented within Connecticut for a period of less than 31 days. Machinery means heavy equipment intended for outside use that may be used for construction, mining, or forestry. It is rented without an operator and is propelled by its own internal engine or internal power source.

Revenue		
FY		
2003-04		\$ 502,588
2004-05		312,918
2005-06		431,753

Exemptions

- Motor vehicles delivered to a lessee outside Connecticut;
- Rentals by an agency of United States Government;
- Rentals of 31 days or more; and
- Rentals of motor vehicles by a person that is not a rental company.

Number of Taxpayers / Filing Frequency

202 taxpayers / Annually

Basis and Rate

3% of the total rental charges on passenger motor vehicles or trucks.

1.5% of the total rental charges on heavy machinery.

Comparative Data

Gross collections by rental companies during 2005 amounted to \$6,545,981.

Rental companies retained the difference between gross collections and the amount remitted to reimburse personal property taxes and titling and registration fees paid in Connecticut.

REPEALED TAXES

SUCCESSION TAX

The Succession Tax was levied on the transfer of property after death, with rates that varied depending on the size of the estate and the relationship of the decedent to the survivor. Due to legislative changes enacted during the 2005 Legislative Session, the Connecticut Succession Tax has been repealed and does not apply to estates of decedents dying on or after January 1, 2005.

Revenue collected for Fiscal Year 2005-06: \$ 6,853,292

WATER COMPANIES

The gross earnings tax on private water companies has been repealed since July 1, 1997. Negative collections indicate an internal transfer to another tax type.

Revenue collected for Fiscal Year 2005-06: \$(1,496)

SALES AND USE TAXES

Connecticut levies sales and use taxes on the gross receipts of retailers from the sale of tangible personal property at retail, from the rental or leasing of tangible personal property, and on the gross receipts from the rendering of certain business services.

Revenue	
FY 2003-04	\$3,153,518,556
2004-05	3,291,372,489
2005-06	3,404,541,887

Basis and Rate

6% on the gross receipts from the sale, rental or leasing of tangible personal property, and the rendering of certain business services (general rate);

4.5% on the sale of a motor vehicle to a nonresident member of the United States armed forces serving on active duty in Connecticut;

1% on computer and data processing services;

12% on the rental of rooms in a hotel or lodging house.

Exemptions

Conn. Gen. Stat. §12-412 provides for various exemptions from the sales and use taxes for the sale of, storage, use or other consumption of numerous goods and services.

The following table provides a summary of the major exemptions claimed by businesses during Fiscal Year 2005-06. Note that the revenue forgone for each exemption monitored is computed at the 6% rate.

FY 2005-06 SALES TAX EXEMPTIONS

(In Millions)

Deductible Item	Total Deductions	Revenue Forgone
Sale for Resale – Goods	\$ 83,463.0	\$ 5,007.8
Sale for Resale – Leases and Rentals	1,365.5	81.9
Sale for Resale – Labor and Services	1,847.2	110.8
Trucks with Gross Vehicle Weight Over 26,000 Pounds or Used for Interstate Freight	215.7	12.9
Food Products for Human Consumption	6,221.7	373.3
Fuel for Motor Vehicles	5,934.2	356.1
Electricity/Gas/Heating Fuel (residential)	2,388.8	143.3
Electricity (\$150 monthly per business)	40.2	2.4
Electricity/Gas/Heating Fuel for Manufacturing or Agricultural Production	493.5	29.6
Aviation Fuel	105.3	6.3
Sales of Tangible Personal Property to Farmers	85.3	5.1
Machinery/Materials/ Tools/Fuel – Mfg. Product	1,781.8	106.9
Machinery/Materials/ Equip. – Printing	107.6	6.5
Machinery/Materials/ Tools/Fuel – Comm. Fishing	110.0	6.6
Out-of-State – Sale of Goods	53,086.1	3,185.2
Out-of-State - Leases/Rentals	689.8	41.4
Out-of-State – Labor and Services	7,339.3	440.4
Sales of Motor Vehicles, Vessels to Nonresidents	725.2	43.5
Prescription Medicines	4,168.3	250.1
Non-Prescription Medicines and Diabetic Equipment	201.8	12.1
Charitable/Government/Religious – Sale of Goods	6,596.0	395.8
Charitable/Government/Religious – Leases and Rentals	97.3	5.8
Charitable/Government/Religious – Labor and Services	4,178.8	250.7

FY 2005-06 SALES TAX EXEMPTIONS (cont.)
(In Millions)

Deductible Item	Total Deductions	Revenue Forgone
Pollution Abatement	90.0	5.4
Non-Taxable Labor and Services	13,268.3	796.1
Business Services/Parent Owned Subs.	202.0	12.1
Trade-ins of Like-Kind Personal Property	927.9	55.7
Taxed Goods returned within 90 days	109.3	6.6
Oxygen, Plasma, Prostheses, etc.	158.2	9.5
Printed Material for Future Delivery Out-of-State	34.7	2.1
Clothing/Footwear under \$50	2,225.8	133.5
Material for Non-commercial Production of Clothing	9.9	0.6
Funeral Expenses up to \$2,500	72.7	4.4
Repair or Replacement Parts/Repair Services to Aircraft	173.0	10.4
Certain Machinery - Manufacturing Recovery Act of 1992 (Difference between the 6% and 3% Rates)	23.1	1.4
Sales of Machinery, Equipment, Tools, Fuel, and Supplies used in the Biotechnology Industry	32.4	1.9
Sales of Repair and Maintenance Service to Vessels	63.5	3.8
Computer and Data Processing Services (Difference between the 6% and 1% Rates)	1,077.0	64.6
Renovation Services to Residential Property	349.5	21.0
Sales to Direct Payment Permit Holders	203.2	12.2
Sales of College Textbooks	38.4	2.3
Sales Tax Holidays for Clothing Under \$300 and Weatherization Products	56.4	3.4
Other Adjustments	6,874.9	412.5
TOTAL	\$207,232.6	\$12,434.0

SALES AND USE TAXES (cont.)

Number of Taxpayers/Filing Frequency

173,090 Taxpayers
 27,700 Taxpayers / Monthly
 55,475 Taxpayers / Quarterly
 89,915 Taxpayers / Annually

Comparative Data

Table I provides a summary of all gross receipts reported under the sales and use taxes attributable to various components. Note that the figures are gross, and do not necessarily represent taxable receipts.

Table I:
(In Millions)

Gross Receipts Attributable to:	FY 2003-04	FY 2004-05	FY 2005-06
Sales of Tangible Personal Property	\$178,781.0	\$191,548.3	\$217,451.6
Leasing/Rental of Tangible Personal Property	3,386.0	3,175.0	3,349.0
Rendering of Services	32,978.7	35,835.6	36,336.1
Business Use Purchases	2,905.4	3,111.3	3,000.0
Room Occupancy	558.1	589.2	633.1

Table II, on the following page, provides a summary of retail sales of goods for the state of Connecticut for the past three fiscal years. The figures reflect fluctuations in sales of durable and non-durable goods. Durable goods are usually more expensive items expected to last more than three years, such as automobiles and large household appliances. These sales are provided by selected major groups within the North American Industry Classification system (NAICS). Approximately half of all the sales and use tax revenue is generated by the retail trade sector.

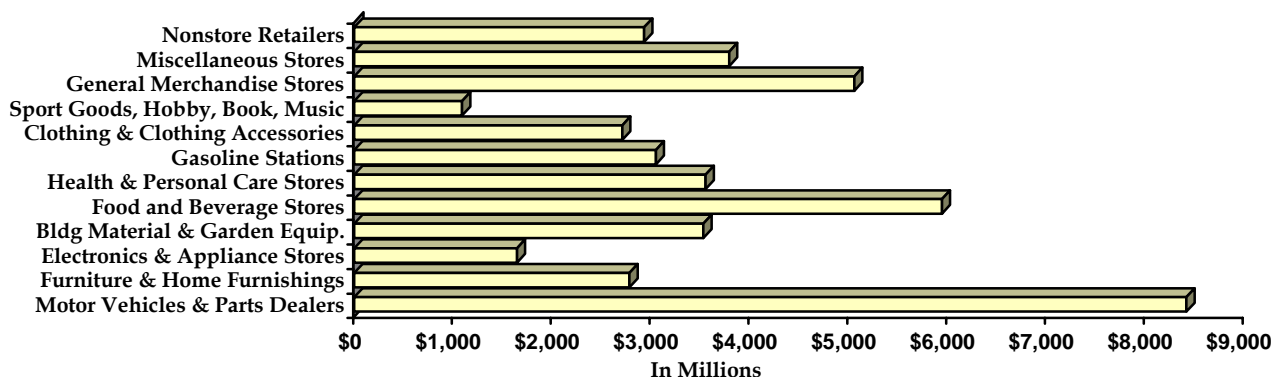
SALES AND USE TAXES (cont.)

TABLE II: Retail Sales Volume - Fiscal Years 2004 - 2006
(In Millions)

	FY 2003-04	FY 2004-05	FY 2005-06
Motor Vehicle and Parts Dealers (NAICS 441)	\$ 8,713.5	\$8,784.4	\$8,420.7
Furniture and Home Furnishings Stores (NAICS 442)	2,539.1	2,663.5	2,784.3
Electronics and Appliance Stores (NAICS 443)	1,275.9	1,508.8	1,645.7
Building Material and Garden Equipment and Supplies Dealers (NAICS 444)	3,167.6	3,434.6	3,532.3
Food and Beverage Stores (NAICS 445)	5,661.4	5,694.7	5,945.3
Health and Personal Care Stores (NAICS 446)	3,516.0	3,457.9	3,555.0
Gasoline Stations (NAICS 447)	2,179.5	2,660.1	3,050.3
Clothing and Clothing Accessories Stores (NAICS 448)	2,617.0	2,677.0	2,712.0
Sporting Goods, Hobby, Book and Music Stores (NAICS 451)	1,087.5	1,079.3	1,091.4
General Merchandise Stores (NAICS 452)	4,470.5	4,838.6	5,059.1
Miscellaneous Store Retailers (NAICS 453)	3,677.2	3,471.2	3,791.8
Nonstore Retailers (NAICS 454)	2,507.4	2,824.0	2,933.1
TOTAL (NAICS 44-45)	\$ 41,412.6	\$ 43,094.1	\$ 44,521.1

RETAIL SALES FY 2005-06

RETAIL ESTABLISHMENTS (NAICS 44-45)



SALES AND USE TAXES (cont.)

Table III provides total sales and use taxes revenues by the economic activities sectors of the North American Industry Classification System (NAICS) for fiscal years 2004 through 2006. The revenues are from regular payments and represent 94% of the total sales and use taxes collected in FY 2005-06.

TABLE III: Sales & Use Tax - From Regular Payments
Fiscal Years 2004 - 2006
(In Millions)

	NAICS Code	FY 2003-04	FY 2004-05	FY 2005-06
<i>Motor Vehicle and Parts Dealers</i>	441	\$ 411.0	\$ 402.4	\$370.4
<i>Furniture and Home Furnishings</i>	442	70.6	81.2	83.9
<i>Electronics and Appliance Stores</i>	443	60.4	71.4	77.3
<i>Building Material and Garden Equipment</i>	444	173.6	188.0	189.6
<i>Food and Beverage Stores</i>	445	154.0	157.6	163.9
<i>Health and Personal Care Stores</i>	446	41.0	41.4	42.1
<i>Gasoline Stations</i>	447	31.4	31.1	32.6
<i>Clothing and Clothing Accessories Stores</i>	448	66.9	70.4	74.7
<i>Sporting Goods, Hobby, Book & Music Stores</i>	451	47.2	46.5	46.4
<i>General Merchandise Stores</i>	452	161.0	171.6	176.4
<i>Miscellaneous Store Retailers</i>	453	141.2	148.2	152.1
<i>Nonstore Retailers</i>	454	42.4	48.9	54.7
Retail Sector Subtotal	44-45	\$1,400.7	\$1,458.7	\$1,464.1
Utilities	22	78.3	83.8	99.4
Construction	23	113.3	126.5	135.0
Manufacturing	31-33	156.1	164.3	169.2
Wholesale Trade	42	174.1	181.6	191.3
Information	51	244.0	242.8	246.0
Arts, Entertainment & Recreation	71	22.1	22.1	22.3
Accommodation and Food Services	72	222.2	230.6	240.9
Other Services (except Public Admin)	81	121.7	121.2	126.9
All Other Businesses		470.7	497.9	525.2
TOTAL SALES & USE TAX REVENUE		\$3,003.2	\$3,129.5	\$3,220.3

SOLID WASTE TAX

The Solid Waste Tax is levied on the owners of commercial resources recovery facilities that process municipal solid waste to reclaim energy.

Revenue	
FY 2003-04	\$2,912,413
2004-05	3,384,607
2005-06	3,426,551

Number of Taxpayers / Filing Frequency

9 taxpayers / Quarterly

Basis and Rate

\$1.50 per ton of solid waste processed.

TOBACCO PRODUCTS TAX

An excise tax is imposed on all non-cigarette tobacco products such as cigars, stogies, snuff, pipe and chewing tobacco. The tax is imposed when the tobacco products are manufactured, imported, or purchased by distributors. Distributors must be licensed annually and remit the tax on a monthly basis.

Revenue	
FY 2003-04	\$3,966,136
2004-05	3,793,951
2005-06	4,736,180

Exemptions

- Tobacco products exported from the State; and
- Tobacco products sold to the federal government.

Number of Taxpayers/Filing Frequency

225 distributors/Monthly

Basis and Rate

20% of the wholesale sales price. Snuff tobacco products are taxed at a rate of 40¢ per ounce.

TOURISM ACCOUNT SURCHARGE

A surcharge is levied on the rental and leasing of passenger motor vehicles for a period of thirty consecutive calendar days or less. Revenues generated by the surcharge are deposited into the General Fund.

Revenue	
FY 2003-04	\$4,513,367
2004-05	4,670,440
2005-06	4,750,619

Exemption

The rental or leasing of a motor vehicle pursuant to a written agreement, which has a term of more than thirty days.

Number of Taxpayers / Filing Frequency

31 taxpayers / Monthly
285 taxpayers / Quarterly

Basis and Rate

\$1.00 per rental/leasing day or portion thereof, of passenger motor vehicles.

UNRELATED BUSINESS TAXABLE INCOME TAX

The Unrelated Business Taxable Income Tax is imposed on any trade or business conducted by a tax-exempt organization that does not substantially relate to its tax-exempt purpose. The tax is paid at the same rate as the Corporation Business Tax. For most taxpayers, the due date is either April 15 or May 15, depending on the entity. Foreign trusts however, generally have a due date of June 15.

Revenue	
FY 2003-04	\$ 1,007,944
2004-05	867,828
2005-06	1,067,959

Number of Taxpayers / Filing Frequency

279 organizations / Annually

Basis and Rate

7.5% of the unrelated business income of the organization. A surtax of 25% applied to returns for the 2004 income year. A surtax of 20% applied to the 2006 income year. No minimum tax is required.

Credits

For the 2004 income year, 55 taxpayers claimed \$34,739 in Electronic Data Processing Property Tax Credits.

2005-06 REAL ESTATE CONVEYANCE TAX BY TOWN

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Remitted
ANDOVER	56	65	\$ 15,213,201	\$ 76,066
ANSONIA	237	338	85,898,215	447,566
ASHFORD	75	117	33,715,779	168,579
AVON	289	519	244,736,056	1,355,772
BARKHAMSTED	46	63	16,878,530	92,693
BEACON FALLS	56	122	38,951,215	203,994
BERLIN	292	383	112,789,832	617,218
BETHANY	88	121	49,958,623	258,147
BETHEL	169	361	133,378,433	688,854
BETHLEHEM	62	65	23,850,000	142,926
BLOOMFIELD	261	533	142,779,265	768,750
BOLTON	68	92	27,027,757	143,704
BOZRAH	40	57	12,965,353	66,952
BRANFORD	499	689	224,464,696	1,252,687
BRIDGEPORT	1,319	3,008	779,498,105	4,248,300
BRIDGEWATER	29	39	23,130,500	128,978
BRISTOL	746	1,437	301,487,724	1,600,839
BROOKFIELD	262	449	211,424,432	1,194,956
BROOKLYN	134	194	49,165,715	255,384
BURLINGTON	132	170	59,762,891	303,789
CANAAN	17	31	11,538,550	62,943
CANTERBURY	79	113	24,145,284	122,651
CANTON	151	311	102,957,781	521,878
CHAPLIN	46	56	11,497,225	57,486
CHESHIRE	285	581	241,065,542	1,417,484
CHESTER	60	68	28,392,333	151,632
CLINTON	204	314	95,183,301	510,033
COLCHESTER	192	388	109,316,616	579,515
COLEBROOK	31	39	12,674,600	69,548
COLUMBIA	94	116	31,854,332	162,297
CORNWALL	51	53	17,961,234	96,731
COVENTRY	223	325	74,889,387	381,164
CROMWELL	215	412	96,822,544	529,038
DANBURY	885	1,816	722,869,274	4,216,221
DARIEN	287	446	689,779,133	5,311,471
DEEP RIVER	83	99	33,732,101	187,647
DERBY	150	286	127,377,879	942,836
DURHAM	85	134	45,608,988	235,326
EASTFORD	44	65	17,400,036	93,753
EAST GRANBY	74	127	44,223,913	269,175
EAST HADDAM	205	234	60,645,080	312,275
EAST HAMPTON	219	398	102,669,294	524,581
EAST HARTFORD	541	1,075	221,385,834	1,219,417

2005-06 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Remitted
EAST HAVEN	385	659	\$ 186,468,970	\$ 1,029,935
EAST LYME	336	477	176,679,655	984,603
EASTON	81	110	95,263,138	561,778
EAST WINDSOR	125	298	80,811,790	488,140
ELLINGTON	224	362	103,432,818	536,936
ENFIELD	460	868	313,895,473	2,284,955
ESSEX	97	164	79,706,160	463,769
FAIRFIELD	723	1,217	914,107,317	5,614,415
FARMINGTON	401	657	259,602,859	1,548,987
FRANKLIN	49	43	9,070,595	52,753
GLASTONBURY	435	868	380,011,073	2,260,052
GOSHEN	63	136	56,836,450	326,707
GRANBY	110	285	85,154,736	429,809
GREENWICH	779	1,229	2,968,102,512	24,016,467
GRISWOLD	215	271	56,322,851	286,537
GROTON	517	787	240,572,668	1,377,001
GUILFORD	341	516	261,204,574	1,539,362
HADDAM	124	204	56,042,784	282,556
HAMDEN	604	1,181	335,893,343	1,847,952
HAMPTON	36	59	17,094,715	104,111
HARTFORD	871	1,770	492,907,575	3,036,467
HARTLAND	38	37	8,936,557	44,683
HARWINTON	120	110	34,045,934	174,055
HEBRON	123	241	70,907,600	372,587
KENT	65	91	43,506,533	266,077
KILLINGLY	340	514	109,349,829	562,499
KILLINGWORTH	115	148	54,729,562	279,903
LEBANON	155	185	36,727,737	183,639
LEDYARD	199	378	92,686,087	472,510
LISBON	49	92	20,553,745	102,769
LITCHFIELD	120	216	79,953,655	443,972
LYME	72	58	28,553,060	164,590
MADISON	252	354	226,148,194	1,354,983
MANCHESTER	596	1,421	430,546,623	2,809,300
MANSFIELD	209	321	88,289,704	456,834
MARLBOROUGH	76	128	40,682,467	220,887
MERIDEN	746	1,502	301,550,529	1,678,774
MIDDLEBURY	152	226	114,032,987	646,228
MIDDLEFIELD	50	67	18,275,600	95,378
MIDDLETOWN	441	987	295,381,683	1,538,285
MILFORD	673	1,272	457,038,502	2,721,337
MONROE	242	348	171,971,725	936,582
MONTVILLE	297	451	135,919,552	713,570

2005-06 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Remitted
MORRIS	47	67	\$ 38,615,405	\$ 266,214
NAUGATUCK	363	784	174,995,359	919,760
NEW BRITAIN	706	1,442	298,658,945	1,597,041
NEW CANAAN	232	435	719,585,025	5,582,216
NEW FAIRFIELD	205	324	137,501,204	737,737
NEW HARTFORD	125	164	45,871,830	260,359
NEW HAVEN	1,310	2,096	512,120,593	2,787,687
NEWINGTON	304	640	163,735,983	954,220
NEW LONDON	266	486	104,096,191	552,737
NEW MILFORD	408	796	266,266,875	1,460,682
NEWTOWN	328	555	324,725,448	1,897,703
NORFOLK	45	46	15,175,191	84,451
NORTH BRANFORD	173	227	70,307,051	362,442
NORTH CANAAN	51	84	17,674,555	110,127
NORTH HAVEN	320	399	184,278,885	1,265,980
NORTH STONINGTON	113	130	37,012,761	187,395
NORWALK	977	2,093	1,253,966,081	7,746,111
NORWICH	508	1,001	212,120,128	1,158,704
OLD LYME	209	247	100,504,057	544,642
OLD SAYBROOK	248	325	148,493,919	879,589
ORANGE	164	242	131,531,431	831,237
OXFORD	141	434	192,711,321	1,002,732
PLAINFIELD	258	387	78,045,246	415,739
PLAINVILLE	222	422	85,982,800	459,869
PLYMOUTH	166	306	57,479,879	294,702
POMFRET	61	106	29,480,945	155,450
PORTLAND	128	232	59,968,678	318,491
PRESTON	85	118	25,790,273	131,826
PROSPECT	118	155	46,358,042	254,273
PUTNAM	143	256	55,876,404	306,548
REDDING	127	169	136,049,856	853,098
RIDGEFIELD	323	510	444,001,712	2,800,628
ROCKY HILL	192	469	165,928,090	1,109,489
ROXBURY	51	45	30,329,800	183,239
SALEM	96	115	28,413,297	142,999
SALISBURY	102	114	70,593,422	451,927
SCOTLAND	22	27	6,764,700	33,824
SEYMOUR	187	378	124,449,642	670,146
SHARON	57	83	41,537,786	261,231
SHELTON	437	819	381,189,888	2,129,917
SHERMAN	79	95	54,552,944	324,008
SIMSBURY	210	544	190,975,384	997,210
SOMERS	128	165	49,331,252	254,281

2005-06 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Remitted
SOUTHBURY	346	604	\$ 246,876,521	\$ 1,465,027
SOUTHINGTON	578	939	274,727,195	1,551,267
SOUTH WINDSOR	316	656	177,307,321	1,000,430
SPRAGUE	59	66	16,062,868	84,789
STAFFORD	190	367	61,310,368	313,779
STAMFORD	1,067	2,616	1,880,668,521	11,504,787
STERLING	76	132	28,000,193	143,584
STONINGTON	331	459	213,749,846	1,281,135
STRATFORD	537	1,207	375,930,329	2,072,443
SUFFIELD	198	314	100,968,082	528,793
THOMASTON	90	165	34,494,987	174,881
THOMPSON	134	212	44,662,182	238,051
TOLLAND	181	293	91,301,882	470,246
TORRINGTON	499	1,038	214,067,098	1,181,651
TRUMBULL	382	593	338,135,000	2,054,371
UNION	22	27	6,653,547	33,268
VERNON	307	647	158,570,952	924,583
VOLUNTOWN	51	60	14,510,424	74,012
WALLINGFORD	504	903	295,821,361	1,769,958
WARREN	68	47	20,179,701	110,349
WASHINGTON	106	121	113,997,227	823,111
WATERBURY	1,302	2,894	502,054,417	2,788,932
WATERFORD	313	410	119,390,212	631,936
WATERTOWN	301	491	139,671,695	735,276
WESTBROOK	240	308	65,165,990	367,027
WEST HARTFORD	638	1,467	563,952,590	3,361,644
WEST HAVEN	627	1,024	254,225,778	1,412,626
WESTON	132	210	231,345,150	1,557,834
WESTPORT	404	646	989,669,455	7,495,598
WETHERSFIELD	345	547	187,096,175	1,064,119
WILLINGTON	68	101	26,215,588	135,780
WILTON	179	406	462,502,895	3,218,273
WINCHESTER	155	301	64,435,440	347,372
WINDHAM	230	462	79,744,122	413,438
WINDSOR	340	658	194,994,288	1,129,045
WINDSOR LOCKS	136	311	87,627,445	539,135
WOLCOTT	227	313	75,974,176	403,796
WOODBIDGE	128	154	82,298,492	445,504
WOODBURY	154	237	89,843,518	467,057
WOODSTOCK	134	262	59,149,277	309,246
TOWN UNKNOWN	93	146	48,984,602	288,634
TOTAL	43,810	78,963	\$ 31,885,421,691	\$ 195,955,438

TAX REFUNDS

The Department of Revenue Services issues refunds to taxpayers when an overpayment of tax liability has been made. The refund is charged to the fund to which such tax, penalty or interest was previously credited. Due to statutory allowances, refunds for Motor Fuel Taxes are allowed in certain cases involving fuel sold to a Connecticut motorbus company or a company engaged in livery service.

Refunds of the Personal Income Tax owed to any person or entity with a debt obligation to the state may be withheld to offset the outstanding debt. There were 29,738 external offsets in Fiscal Year 2005-06, totaling \$7,297,548 and 6,194 internal offsets for a total of \$3,510,626.

Listed below are the refund amounts by tax type for Fiscal Years 2004-05 and 2005-06.

AMOUNT OF TAXES REFUNDED

TAX TYPE	FY 2004-05	FY 2005-06
Admissions & Dues	\$ 9,688	\$ 29,556
Alcoholic Beverages	19,293	24,715
Business Entity	817,675	2,934,612
Business Use	1,128,780	1,189,656
Cigarettes	581,824	571,071
Community Antenna	571,216	(103,998)
Controlling Interest	1,171,598	567,533
Corp. R&D Credit Buyback	8,850,106	6,694,387
Corporation Business	94,689,640	108,151,052
CT Estate Tax	5,308,974	7,732,238
Domestic Insurers	1,103,375	337,105
Foreign Insurers	4,718,470	2,945,639
Gas Companies	168,425	524,451
Gift Tax	631,555	529,682
Gift & Estate	0	136,992
Income Tax	537,085,725	578,492,921
Individual Use Tax	469,733	355,808
Motor Carrier	1,675,081	1,906,165
Motor Fuel	6,729,419	6,944,141
Occupational	30,584	29,345
Petroleum Products	247,005	459,927
Real Estate Conveyance	245,333	447,186
Rental Surcharge	1,074	24,110
Room Occupancy	9,836	62,165
Sales & Use Taxes	20,264,925	16,964,678
Succession Tax	10,945,135	6,233,883
Tobacco Distributor	2,579	466,376
Unrelated Business Income	114,292	252,958
Miscellaneous	23,054	1,148,838
Total	\$697,614,394	\$746,053,192

**COMPARATIVE SUMMARY OF RETAIL SALES AND
TAX RECEIPTS BY TOWN***
FISCAL YEARS ENDING JUNE 30, 2005 AND 2006
(IN THOUSANDS)

TOWN	Retail Sales FY 2005-06 NAICS 44-45	Retail Sales FY 2004-05 NAICS 44-45	Sales & Use Tax FY 2005-06 (All Businesses)	Sales & Use Tax FY 2004-05 (All Businesses)	SUT Collections % Change FY 05/FY 06
ANDOVER	\$ 2,472.8	\$ 2,703.2	\$ 434.1	411.1	5.60%
ANSONIA	82,921.5	84,222.1	4,526.2	4,815.5	-6.01%
ASHFORD	2,140.9	2,120.9	459.7	432.6	6.28%
AVON	91,686.8	98,614.5	7,990.0	8,743.9	-8.62%
BARKHAMSTED	442.1	384.4	68.1	57.3	18.84%
BEACON FALLS	7,371.5	5,851.4	661.4	528.6	25.12%
BERLIN	285,587.0	278,329.3	79,783.6	66,553.5	19.88%
BETHANY	3,905.5	3,658.1	1,197.4	1,069.3	11.97%
BETHEL	96,738.0	96,510.8	7,387.8	7,045.7	4.86%
BETHLEHEM	7,423.4	6,890.0	886.7	824.7	7.52%
BLOOMFIELD	228,651.1	225,498.7	14,106.4	13,729.7	2.74%
BOLTON	15,240.6	14,305.8	1,862.3	1,745.9	6.67%
BOZRAH	8,203.9	7,974.7	1,370.4	1,430.7	-4.21%
BRANFORD	676,644.7	670,524.8	32,655.4	32,902.6	-0.75%
BRIDGEPORT	960,686.9	1,382,787.5	53,214.4	56,606.8	-5.99%
BRIDGEWATER	6,985.6	6,030.9	412.3	370.6	11.26%
BRISTOL	361,878.5	334,768.4	22,605.8	23,309.8	-3.02%
BROOKFIELD	295,810.1	335,684.8	15,339.4	17,220.9	-10.93%
BROOKLYN	25,258.3	22,592.3	1,651.7	1,527.6	8.12%
BURLINGTON	8,025.2	6,868.4	1,167.9	1,073.0	8.85%
CANAAN	30,216.9	30,374.1	3,572.2	3,158.7	13.09%
CANTERBURY	7,932.8	6,967.1	1,117.8	1,038.4	7.65%
CANTON	153,091.7	146,229.4	10,553.3	10,168.2	3.79%
CHAPLIN	8,366.3	6,715.4	414.8	424.1	-2.17%
CHESHIRE	422,160.4	397,629.8	18,388.6	17,828.6	3.14%
CHESTER	7,978.7	7,818.4	1,128.3	1,076.3	4.83%
CLINTON	109,430.7	112,050.3	8,390.4	8,356.4	0.41%
COLCHESTER	165,553.1	164,020.9	6,813.4	6,803.2	0.15%
COLEBROOK	584.8	645.1	44.1	37.9	16.53%
COLUMBIA	55,367.3	51,931.69	3,520.0	3,329.6	5.72%
CORNWALL	4,022.6	3,813.3	355.9	334.1	6.54%
COVENTRY	25,269.2	25,552.5	1,630.5	1,526.7	6.80%
CROMWELL	61,006.7	54,069.0	7,129.9	7,036.9	1.32%
DANBURY	1,718,096.5	1,760,205.8	118,094.6	121,976.3	-3.18%
DARIEN	466,413.2	437,696.7	28,022.8	26,652.7	5.14%

* NOTE: Large retailers with more than one establishment usually report all of their sales and use taxes from their primary location; therefore, the figures for various towns may not reflect actual business activity.

**COMPARATIVE SUMMARY OF RETAIL SALES AND
TAX RECEIPTS BY TOWN***
FISCAL YEARS ENDING JUNE 30, 2005 AND 2006
(IN THOUSANDS)

TOWN	Retail Sales FY 2005-06 NAICS 44-45	Retail Sales FY 2004-05 NAICS 44-45	Sales & Use Tax FY 2005-06 (All Businesses)	Sales & Use Tax FY 2004-05 (All Businesses)	SUT Collections % Change FY 05/FY 06
DEEP RIVER	8,508.2	7,747.7	1,070.7	1,063.9	0.64%
DERBY	148,907.6	166,963.3	7,528.9	8,107.7	-7.14%
DURHAM	20,045.8	16,582.7	1,732.5	1,703.9	1.68%
EAST GRANBY	18,355.4	18,642.8	2,433.0	2,350.1	3.53%
EAST HADDAM	36,429.5	35,031.0	2,007.8	2,043.7	-1.75%
EAST HAMPTON	24,753.6	26,106.3	1,981.8	2,091.7	-5.26%
EAST HARTFORD	904,817.5	870,882.0	38,685.8	39,968.9	-3.21%
EAST HAVEN	218,298.8	310,843.6	12,608.3	17,409.4	-27.58%
EAST LYME	84,113.4	91,141.1	5,197.2	5,247.3	-0.96%
EAST WINDSOR	142,256.3	128,425.1	8,469.5	8,131.0	4.16%
EASTFORD	10,354.7	11,169.2	556.1	546.2	1.80%
EASTON	5,305.5	5,072.5	983.2	845.2	16.33%
ELLINGTON	97,649.3	95,122.3	5,441.8	5,217.6	4.30%
ENFIELD	402,916.3	358,133.96	24,410.5	24,154.7	1.06%
ESSEX	53,244.7	60,559.1	4,297.5	4,024.7	6.78%
FAIRFIELD	654,439.8	663,602.8	50,891.2	52,583.2	-3.22%
FARMINGTON	555,889.8	453,301.7	32,762.9	28,038.8	16.85%
FRANKLIN	34,129.7	26,964.5	2,889.8	2,625.3	10.07%
GLASTONBURY	232,030.1	248,373.1	18,486.5	18,195.9	1.60%
GOSHEN	4,499.4	4,324.8	611.6	528.4	15.75%
GRANBY	32,703.6	31,023.4	3,166.6	2,995.0	5.73%
GREENWICH	1,208,976.9	1,150,459.6	60,731.0	59,080.4	2.79%
GRISWOLD	29,789.1	26,981.7	1,770.3	1,665.7	6.28%
GROTON	209,111.6	214,009.3	19,491.7	18,851.6	3.40%
GUILFORD	189,733.3	183,802.6	7,949.9	7,882.6	0.85%
HADDAM	32,170.8	29,555.1	1,493.4	1,499.1	-0.38%
HAMDEN	323,260.6	311,455.4	22,757.8	22,143.3	2.78%
HAMPTON	302.5	274.1	131.0	119.7	9.44%
HARTFORD	1,088,654.2	1,004,941.6	116,227.8	108,265.3	7.35%
HARTLAND	406.6	248.1	152.9	123.7	23.61%
HARWINTON	5,512.8	5,563.6	1,123.5	847.7	32.54%
HEBRON	26,068.4	24,568.6	1,339.4	1,294.2	3.49%
KENT	26,284.8	28,660.7	1,889.9	1,976.6	-4.39%
KILLINGLY	141,686.1	129,838.6	7,900.4	7,536.6	4.83%
KILLINGWORTH	7,856.7	7,705.7	1,194.1	1,017.8	17.32%

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**COMPARATIVE SUMMARY OF RETAIL SALES AND
TAX RECEIPTS BY TOWN***
FISCAL YEARS ENDING JUNE 30, 2005 AND 2006
(IN THOUSANDS)

TOWN	Retail Sales FY 2005-06 NACIS 44-45	Retail Sales FY 2004-05 NACIS 44-45	Sales & Use Tax FY 2005-06 (All Businesses)	Sales & Use Tax FY 2004-05 (All Businesses)	SUT Collections % Change FY 05/FY 06
LEBANON	8,218.7	8,225.9	742.5	700.6	5.98%
LEDYARD	32,995.4	31,869.2	4,496.3	4,373.6	2.81%
LISBON	13,248.2	14,256.3	1,611.1	1,623.1	-0.74%
LITCHFIELD	93,002.3	92,817.6	6,476.7	6,345.2	2.07%
LYME	1,557.7	1,042.7	77.2	78.6	-1.81%
MADISON	113,965.1	118,676.4	7,989.5	8,373.6	-4.59%
MANCHESTER	2,887,819.5	2,754,606.8	133,347.2	127,321.7	4.73%
MANSFIELD	71,830.9	67,289.9	3,121.8	3,057.5	2.10%
MARLBOROUGH	19,978.0	16,859.2	1,209.0	1,181.1	2.36%
MERIDEN	356,530.4	342,607.14	25,382.7	24,594.4	3.21%
MIDDLEBURY	61,469.7	64,354.6	4,172.2	4,347.2	-4.03%
MIDDLEFIELD	10,655.5	11,432.9	1,597.4	1,415.2	12.87%
MIDDLETOWN	276,312.7	305,238.1	24,453.2	24,971.3	-2.07%
MILFORD	777,802.7	679,600.3	45,428.5	45,359.5	0.15%
MONROE	161,049.1	146,937.0	13,757.0	13,079.8	5.18%
MONTVILLE	63,553.4	70,713.7	5,823.3	6,129.1	-4.99%
MORRIS	2,687.8	2,142.7	333.5	335.2	-0.52%
NAUGATUCK	95,385.1	92,680.06	7,193.7	7,258.9	-0.90%
NEW BRITAIN	290,915.8	290,322.4	21,992.6	21,508.3	2.25%
NEW CANAAN	209,812.2	183,126.9	10,702.6	10,770.5	-0.63%
NEW FAIRFIELD	73,700.2	93,861.1	4,692.3	5,957.7	-21.24%
NEW HARTFORD	35,546.8	24,084.8	2,689.3	1,937.9	38.77%
NEW HAVEN	901,909.4	821,147.0	124,165.5	124,509.6	-0.28%
NEW LONDON	345,667.5	343,755.9	18,297.6	18,808.2	-2.71%
NEW MILFORD	194,807.4	210,615.5	13,195.4	13,849.7	-4.72%
NEWINGTON	188,479.0	178,339.1	25,874.9	27,271.7	-5.12%
NEWTOWN	109,269.6	100,844.7	7,333.2	6,800.6	7.83%
NORFOLK	1,867.0	1,807.7	369.8	396.4	-6.72%
NORTH BRANFORD	61,388.5	52,866.7	5,383.8	5,075.9	6.07%
NORTH CANAAN	642.2	594.5	147.6	122.8	20.20%
NORTH HAVEN	1,539,509.7	1,518,129.1	93,638.4	92,423.9	1.31%
NORTH STONINGTON	18,574.8	18,256.9	1,152.6	1,221.3	-5.62%
NORWALK	1,335,509.5	1,604,245.8	107,296.2	103,652.4	3.52%
NORWICH	320,545.9	314,342.1	21,212.3	20,721.0	2.37%
OLD LYME	95,542.6	33674.2	3,163.1	2,999.1	5.47%

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TAX RECEIPTS BY TOWN***
FISCAL YEARS ENDING JUNE 30, 2005 AND 2006
(IN THOUSANDS)

TOWN	Retail Sales FY 2005-06 NAICS 44-45	Retail Sales FY 2004-05 NACIS 44-45	Sales & Use Tax FY 2005-06 (All Businesses)	Sales & Use Tax FY 2004-05 (All Businesses)	SUT Collections % Change FY 05/FY 06
OLD SAYBROOK	241,442.7	240,016.1	12,899.1	13,093.6	-1.48%
ORANGE	164,597.2	161,835.4	34,695.9	25,707.6	34.96%
OXFORD	50,426.4	40,137.5	4,130.1	3,605.1	14.56%
PLAINFIELD	122,580.5	113,846.0	5,311.4	5,687.7	-6.62%
PLAINVILLE	160,738.6	130,759.0	14,040.4	13,508.4	3.94%
PLYMOUTH	50,813.6	56,363.6	3,190.7	3,571.7	-10.67%
POMFRET	32,366.2	33,757.6	855.2	811.9	5.33%
PORTLAND	94,583.4	94,441.6	3,752.9	3,720.0	0.89%
PRESTON	18,310.1	16,484.3	1,126.0	1,084.4	3.83%
PROSPECT	39,727.8	36,316.5	2,273.8	2,182.0	4.20%
PUTNAM	89,060.5	98,740.3	6,084.4	6,303.4	-3.48%
REDDING	14,801.2	15,123.4	1,958.9	1,676.4	16.85%
RIDGEFIELD	196,130.5	196,910.4	15,102.7	15,830.6	-4.60%
ROCKY HILL	86,415.7	87,536.0	12,070.7	12,470.8	-3.21%
ROXBURY	2,191.6	2,004.2	360.4	362.0	-0.45%
SALEM	11,174.7	12,438.8	936.5	991.1	-5.51%
SALISBURY	19,719.2	18,937.9	2,054.8	1,946.5	5.56%
SCOTLAND	522.6	569.2	71.7	73.2	-1.99%
SEYMOUR	80,835.0	72,155.7	5,941.5	5,517.1	7.69%
SHARON	10,276.5	9,331.3	856.0	821.4	4.21%
SHELTON	283,776.6	273,546.5	21,953.7	20,505.8	7.06%
SHERMAN	4,205.2	4,541.2	532.4	496.0	7.35%
SIMSBURY	170,071.8	171,801.8	12,481.7	12,354.8	1.03%
SOMERS	31,050.6	30,714.4	1,690.2	1,484.2	13.88%
SOUTH WINDSOR	196,931.8	190,857.0	19,568.9	19,305.7	1.36%
SOUTHBURY	76,062.8	73,866.1	15,427.7	17,505.3	-11.87%
SOUTHINGTON	212,852.6	198,422.8	20,492.4	18,972.2	8.01%
SPRAGUE	1,352.2	1,370.8	272.9	306.8	-11.05%
STAFFORD	124,416.8	120,587.0	9,650.0	9,237.1	4.47%
STAMFORD	1,216,232.0	1,207,211.9	118,148.1	114,172.6	3.48%
STERLING	2,124.7	1,802.4	172.8	174.4	-0.87%
STONINGTON	189,017.9	191,900.9	14,144.8	14,304.0	-1.11%
STRATFORD	422,013.9	406,793.8	36,934.1	35,325.4	4.55%
SUFFIELD	56,705.8	55,749.6	4,426.4	4,366.6	1.37%
THOMASTON	26,755.9	29,304.4	4,047.6	4,095.3	-1.16%

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(IN THOUSANDS)

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THOMPSON	9,297.6	8,006.3	1,154.9	1,079.8	6.95%
TOLLAND	30,756.0	33,099.7	2,805.0	2,786.9	0.65%
TORRINGTON	618,750.8	564,183.7	29,034.1	28,859.8	0.60%
TRUMBULL	222,255.7	124,298.81	11,649.3	11,064.3	5.29%
UNION	6,658.1	10,093.6	305.7	414.4	-26.21%
VERNON	246,394.3	245,984.2	15,878.2	16,268.4	-2.40%
VOLUNTOWN	4,280.6	4,665.0	280.7	296.0	-5.19%
WALLINGFORD	514,492.1	467,789.4	36,459.7	35,726.4	2.05%
WARREN	9,566.2	20,289.0	664.5	1,218.6	-45.47%
WASHINGTON	26,305.8	24,657.0	2,482.9	2,388.8	3.94%
WATERBURY	876,158.1	836,239.6	46,574.1	46,552.4	0.05%
WATERFORD	821,673.6	703,018.6	31,729.7	28,180.4	12.59%
WATERTOWN	717,593.8	413,678.7	18,079.2	18,123.0	-0.24%
WEST HARTFORD	385,152.1	388,751.9	34,831.3	34,707.6	0.36%
WEST HAVEN	291,320.1	275,201.1	16,650.3	16,418.9	1.41%
WESTBROOK	89,438.1	87,294.8	8,103.1	7,648.6	5.94%
WESTON	17,862.8	17,375.0	1,307.3	1,311.9	-0.35%
WESTPORT	859,485.5	837,753.4	44,243.6	41,669.1	6.18%
WETHERSFIELD	177,679.6	135,748.8	8,648.1	8,196.4	5.51%
WILLINGTON	8,704.8	8,003.6	1,735.6	1,839.8	-5.66%
WILTON	272,475.9	295,219.8	19,657.1	19,818.4	-0.81%
WINCHESTER	49,200.5	52,282.7	3,839.5	4,113.4	-6.66%
WINDHAM	164,943.2	171,543.1	10,246.1	10,614.9	-3.47%
WINDSOR	196,775.5	201,880.7	13,438.5	12,886.8	4.28%
WINDSOR LOCKS	86,713.5	77,156.2	14,089.1	13,136.9	7.25%
WOLCOTT	33,964.0	32,533.4	6,205.9	5,171.3	20.01%
WOODBIDGE	52,899.0	57,834.6	3,683.6	3,850.2	-4.33%
WOODBURY	80,897.9	88,323.2	5,475.6	5,786.3	-5.37%
WOODSTOCK	29,695.6	28,613.5	2,014.7	2,025.4	-0.53%
OUT OF STATE	8,964,607.2	8,334,946.1	741,985.9	706,838.7	4.97%
TOTAL	\$44,521,062.0	\$43,094,123.6	\$3,220,337.6	\$3,129,462.4	2.90%

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NATIONWIDE COMPARISON OF TAX RATES

STATE	CORPORATION TAX RATES (%)	SALES AND USE TAX RATES (%)	MOTOR FUEL TAX RATES (¢ PER GAL)	CIGARETTE TAX RATE (¢ PER GAL)
Alabama	6.5	4.0	18.0	42.5
Alaska	9.4	None	8.0	160.0
Arizona	6.968	5.6	18.0	118.0
Arkansas	6.5	6.0	21.5	59.0
California	8.84	6.25	18.0	87.0
Colorado	4.63	2.9	22.0	84.0
Connecticut	7.5	6.0	25.0	151.0
Delaware	8.7	None	23.0	55.0
Florida	5.5	6.0	14.9	33.9
Georgia	6.0	4.0	15.3	37.0
Hawaii	6.4	4.0	16.0	140.0
Idaho	7.6	6.25	25.0	57.0
Illinois	7.3	6.0	20.1	98.0
Indiana	8.5	6.0	18.0	55.5
Iowa	12.0	5.0	20.7	36.0
Kansas	4.0	5.3	24.0	79.0
Kentucky	7.0	6.0	18.5	30.0
Louisiana	8.0	4.0	20.0	36.0
Maine	8.93	5.0	25.9	200.0
Maryland	7.0	5.0	23.5	100.0
Massachusetts	9.5	5.0	21.0	151.0
Michigan	1.9	6.0	19.0	200.0
Minnesota	9.8	6.5	20.0	123.0
Mississippi	5.0	7.0	18.4	18.0
Missouri	6.25	4.225	17.55	17.0
Montana	6.75	None	27.0	170.0
Nebraska	7.81	5.5	27.0	64.0
Nevada	None	6.5	24.805	80.0
New Hampshire	8.5	None	19.625	80.0
New Jersey	9.0	6.0	14.50	240.0
New Mexico	7.6	5.0	18.9	91.0
New York	7.5	4.25	23.9	150.0
North Carolina	6.9	4.5	30.15	30.0
North Dakota	7.0	5.0	23.0	44.0
Ohio	8.5	6.0	28.0	125.0
Oklahoma	6.0	4.5	17.0	103.0
Oregon	6.6	None	24.0	118.0
Pennsylvania	9.99	6.0	31.2	135.0
Rhode Island	9.0	7.0	31.0	246.0
South Carolina	5.0	5.0	16.0	7.0
South Dakota	None	4.0	22.0	53.0
Tennessee	6.5	7.0	21.4	20.0
Texas	4.5	6.25	20.0	41.0
Utah	5.0	4.75	24.5	69.5
Vermont	8.9	6.0	20.0	119.0
Virginia	6.0	4.0	17.5	30.0
Washington	None	6.5	31.0	202.5
West Virginia	9.0	6.0	27.0	55.0
Wisconsin	7.9	5.0	32.9	77.0
Wyoming	None	4.0	14.0	60.0

**2005-06 ANNUAL REPORT
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